

Ronson Europe N.V.

Interim Financial Report
for the nine months
ended
30 September 2017

Interim Financial Report for the nine months ended 30 September 2017

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Directors' report

Directors' Report

General

Introduction

Ronson Europe N.V. ('the Company') is a Dutch public company with its statutory seat in Rotterdam, the Netherlands, and was incorporated on 18 June 2007.

The Company (together with its Polish subsidiaries, 'the Group') is active in the development and sale of residential units, primarily apartments, in multi-family residential real-estate projects to individual customers in Poland. For information about companies in the Group whose financial data are included in the Interim Condensed Consolidated Financial Statements see Note 7 of the Interim Condensed Consolidated Financial Statements.

The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007.

As at 30 September 2017, following the redemption of 108,349,187 treasury shares held by the Company on 1 March 2017, 66.06% of the outstanding shares are controlled by Amos Luzon Development and Energy Group Ltd. ('A. Luzon Group'). The remaining 33.94% of the outstanding shares are held by Nationale Nederlanden Otwarty Fundusz Emerytalny holding 14.6% and by other investors including Metlife Otwarty Fundusz Emerytalny and Aviva OFE Aviva BZ WBK. The number of shares held by the investors is equal to the number of votes, as there are no privileged shares issued by the Company. For major shareholders of the Company reference is made to page 22.

On 6 November 2017, the market price was PLN 1.51 per share giving the Company a market capitalization of PLN 247.7 million.

Company overview

The Company is an experienced, fast-growing and dynamic residential real estate developer expanding its geographic reach to major metropolitan areas across Poland. Leveraging upon its large portfolio of secured sites, the Company believes it is well positioned to maintain its position as a leading residential development company throughout Poland.

The Company aims to maximize value for its shareholders by a selective geographical expansion in Poland as well as by creation of a portfolio of real estate development properties. Management believes the Company has positioned itself strongly to navigate the volatile economic environment the Company has found itself in over the past several years. On the one hand, the Polish economy appears to remain stable, which potentially bodes well for the Company's prospects. On the other hand, the tenuous European recovery, exacerbated in the last year by the instability in the Ukraine and Middle East refugee crisis, may continue to have a negative impact on the Polish economy and the Company's overall prospects. As a result, the Company continues to adhere to a development strategy that allows it to adjust quickly to these uncertain conditions by spreading risks through (i) closely monitoring its projects, (ii) potentially modifying the number of projects and their quality and sizes and (iii) maintaining its conservative financial policy.

As at 30 September 2017, the Group has 953 units available for sale, of which 812 units are available for sale in eight projects that are ongoing, and the remaining 141 units are in completed projects. The eight ongoing projects comprise a total of 1,482 units, with a total area of 76,500 m². The construction of 275 units with a total area of 15,700 m² is expected to be completed during the remainder of 2017, while 1,207 units, with a total area of 60,800 m² are expected to be completed during 2018 and 2019.

In addition, the Group has a pipeline of 13 projects in different stages of preparation, representing approximately 3,845 units with a total area of approximately 253,400 m² for future development in Warsaw, Poznań, Wrocław and Szczecin. The Group is considering commencement of another two stages of the currently running projects comprising 194 units with a total area of 10,500 m² during the remainder of 2017. Moreover the Group is actively seeking for new lands for residential projects. After signing preliminary agreement related to the project in Warsaw (Ursus district) dedicated for 1,600 apartments, the Company already prepares commencement of this project during 2018.

During the nine months ended 30 September 2017, the Company realized sales of 645 units with the total value PLN 242.0 million (in addition the Group sold 42 units with the total value of 32.4 million, in a project that is being managed by the Group) which compares to sales of 546 units with a total value of PLN 236.5 million during the nine months ended 30 September 2016.

Directors' report

Dividend

On 1 March 2017, during an extra-ordinary General Meeting of Shareholders, the shareholders of the Company accepted a distribution of an interim dividend for the financial year 2016 as proposed by the Board of Managing Directors and the Board of Supervisory Directors. Interim dividend in a total amount of PLN 14,760,974 or PLN 0.09 per ordinary share, was paid on 23 March 2017.

In addition, on 30 June 2017, during the Annual General Meeting of Shareholders, the shareholders of the Company accepted a distribution of a final dividend for the financial year 2016 as proposed by the Board of Managing Directors and the Board of Supervisory Directors. The final dividend in cash in the amount of PLN 16,401,081 or PLN 0.10 per ordinary share, with record date 3 August 2017, was paid on 10 August 2017.

Market overview

The Polish economy has proven to be strong even in the recent turbulent times throughout Europe, which in combination with the general paucity of dwellings in Poland (in comparison to all other European countries) creates, what management believes to be solid long term prospects for further development of the residential real estate market despite the volatility that has characterized the market for the past nine years. Management believes the Company is well positioned to adapt to changing market conditions. The Company's sales results during the past years (even despite weakened dynamics during 2016) seem to confirm that the Company has consistently adapted appropriately to volatile market conditions.

After rapid changes in the real estate markets in 2008-2009 the activities of residential developers slowed down until 2013, when the development of only 128,000 units was commenced in the Polish market during that year. The market conditions started improving already during 2013 and since 2014 the scale of residential activities has been constantly increasing. The number of units commenced to be developed during 2016 reached nearly 173,000 which was 3% higher than in 2015. It is important to note that the number of newly opened projects built by developers (nearly 85,500) decreased by 1% during 2016 after a 24% increase during 2015 and a 36% increase during 2014, while the activity of individual investors increased by 6%.

Meanwhile, a number of external factors have contributed to recent market growth. First, a governmental program that subsidized young couples purchasing their first apartments, called "Rodzina na Swoim" ("Family on its own") that expired at the end of 2012 was replaced with a new governmental program called "Mieszkanie dla Młodych" (hereinafter "MDM") that came into effect in the beginning of 2014 and supports the residential market in those cities where the maximum price of apartment qualifying to subsidies is close to the market price (including for instance cities such as Gdańsk, Łódź or Poznań). Second, in the last few years, the National Bank of Poland has kept interest rates at record low levels (2.5% from July 2013 through September 2014 and 2.0% from October 2014 until March 2015, when the rate was further decreased to 1.5%). These historically low interest rates since 2013 positively impacted the residential market for two reasons. First, mortgage loans became more affordable to potential residential purchasers and second, more customers are purchasing apartments for cash, as they consider real estate investment as an attractive alternative to the very low interest earned on banking deposits.

Taking into consideration all these factors, the increase in demand for residential units noted in the past four years has caught up with supply. The improving market environment has encouraged developers to expand their residential development activities. According to REAS (real estate agency analyzing the Polish residential market) developers introduced during 2016 more new apartments in major Polish metropolitan areas to their offer than they were able to sell in this period (65,000 new apartments in six major Polish metropolitan areas, including Warsaw, were added on offer by developers during 2016 which compares to total sales of 62,000 apartments during that year). Simultaneously, the number of apartments offered by developers increased as end of 2016 to nearly 53,000 units, which corresponded to 85% of the annual sales during the previous year.

Directors' report

Market overview (cont'd)

Despite the constant increase of the number of apartments on offer during past four years, this increase has been slower than the pace of sales (as of end of 2013 the total number of apartments on sale in six major Polish metropolitan areas amounted to 41,000 units which was by 15% higher than the number of apartments sold by developers during that year). This confirms that developers are adjusting their activities to market dynamics and are expanding their supply on a measured basis.

Warsaw continued to be the most significant market in Poland in 2016 with over 24,000 units sold in this period. The number of apartments sold in Warsaw was by nearly 26% higher than during 2015. Sales dynamics in other major Polish metropolitan areas were slower in 2016 than in Warsaw and amounted to nearly 16%, contrary to 2015 when the sales in Warsaw increased by 14% compared to 2014 and by 25% in the five major Polish metropolitan areas (compared to 2014 results).

Despite sales results having reached relatively high levels compared with previous years, such robust sales have almost not translated into any increase in the overall price of apartments as the concomitant increase in development activity has resulted in supply balancing with demand. Moreover, the price limits imposed by the governmental program MDM played a role as an incentive to many developers to shape their development activity to offer apartments at relatively low prices to allow purchasers to qualify for the government subsidies.

The first three quarters of 2017 confirmed continuation of the trends observed for 2015 and 2016. According to REAS the pre-sales volume at six major Polish metropolitan areas amounted to 53,900 units during first nine months of 2017, which was by 23% higher y/y. The number of units added on offer during the same period was 50,900 which resulted in the overall offer of developers slightly diminishing. The total number of units offered for sale in the six largest Polish cities amounted to 50,800 at end of September 2017 compared to 52,700 at end of 2016 and to 48,700 at end of December 2015. This confirms that developers are adjusting their activities to market dynamics and are expanding their supply on a reasonable basis. Simultaneously – according to Polish Statistical Office – the number of units introduced for construction during three quarters of 2017 was by 21% higher than in the same period in 2016. This dynamics was even more positive in case of apartments built for sale by developers (increase by 26%) than in case houses built individually (increase by 15%).

An anticipated continuation of stability of interest rates at relatively low levels in the next quarters, as well as the continuation in Poland of a stable economy may be still supportive to the positive situation in residential markets, even though the government is not going to support buyers of first apartments in such way as it used to through programs such as Rodzina na Swoim or MDM (which is to expire in 2018). The recently announced new program “Mieszkanie Plus” will be addressed to those young people, who do not qualify for mortgage loans due to insufficient income. Moreover, new residential projects are planned by the government (at least in initial phase of this program) in the medium sized and small towns, i.e. in those markets which are not interesting to the largest residential developers. It seems therefore that on the one hand the new governmental program will not support those individuals interested in buying their first apartment in leading Polish agglomerations, but on the other hand shall not be a source (especially during the coming few years) of direct competition for the leading market players.

Another source of potential uncertainty in the residential real estate market is related to other plans of the Polish government with respect to contemplated new regulations potentially affecting, among others, construction legislation and regulations related to perpetual usufruct. Despite announced good faith aimed at increased simplicity of the construction process in Poland, the introduction of new regulations may result – especially temporary – in turbulences and delays in commencing new projects by all developers.

Notwithstanding the above, Management continues to believe that considering all the above factors, it is likely that a continuous strengthening in the Polish residential market is foreseen for at least the following several quarters.

Directors' report

Business highlights during the nine months ended 30 September 2017

A. Projects completed

The table below presents information on the projects that were completed (i.e. completing all construction works and receiving occupancy permit) during nine months ended 30 September 2017:

Project name	Location	Number of units	Area of units (m ²)
Vitalia I ⁽¹⁾	Wroclaw	139	7,200
City Link I ⁽¹⁾⁽²⁾	Warsaw	322	14,700
Total		461	21,900

(1) For additional information see section 'B. Results breakdown by project' below.

(2) The project presented in the Interim Condensed Consolidated Financial Statements under investment in joint ventures; the Company's share is 50%.

B. Results breakdown by project

Revenue from the sale of residential units is recognized upon the transfer to the buyer of significant risks and rewards of the ownership of the residential unit, i.e. upon signing of the protocol of technical acceptance and the transfer of the key to the buyer of the residential unit. Total revenue of the Group recognized during the nine months ended 30 September 2017 amounted to PLN 182.2 million, whereas cost of sales before write-down adjustment amounted to PLN 149.6 million and after write-down adjustment amounted to PLN 152.9 million, which resulted in a gross profit before write-down adjustment amounting to PLN 32.6 million (and a gross margin of 17.9%) and after write-down adjustment amounting to PLN 29.3 million (and a gross margin of 16.1%). Total economical revenue, whereby results from joint ventures are presented on a fully consolidated basis, amounted to PLN 195.3 million, with cost of sales amounting to PLN 162.0 million, which resulted in a gross profit amounting to PLN 33.3 million (and a gross margin of 17.0%)

The following table specifies revenue, cost of sales, gross profit and gross margin during the nine months ended 30 September 2017 on a project by project basis:

Project	Information on the delivered units		Revenue ⁽¹⁾		Cost of sales ⁽²⁾		Gross profit	Gross margin
	Number of units	Area of units (m ²)	PLN thousands		PLN thousands		PLN thousands	%
				%		%		
Espresso II & III	147	8,092	57,238	31.4%	47,278	31.6%	9,960	17.4%
Kamienica Jezyce	169	8,646	51,165	28.1%	47,754	31.9%	3,411	6.7%
Moko	37	3,451	27,631	15.2%	18,929	12.7%	8,702	31.5%
Vitalia I	52	2,494	13,464	7.4%	10,616	7.1%	2,848	21.2%
Młody Grunwald I & II	9	763	4,603	2.5%	4,636	3.1%	(33)	-0.7%
Panoramika II	11	804	3,650	2.0%	3,594	2.4%	56	1.5%
Impressio	7	468	2,909	1.6%	3,022	2.0%	(113)	-3.9%
Sakura	13	998	6,722	3.7%	6,262	4.2%	460	6.8%
Tamka	3	292	4,236	2.3%	2,959	2.0%	1,277	30.1%
Verdis	4	251	1,935	1.1%	1,533	1.0%	402	20.8%
Naturalis I, II & III	4	321	1,634	0.9%	1,487	1.0%	147	9.0%
Sales of land	-	-	1,600	0.9%	1,222	0.8%	378	23.6%
Other ⁽⁵⁾	-	-	5,445	2.9%	285	0.2%	5,160	N.A.
Total / Average	456	26,580	182,232	100.0%	149,577	100.0%	32,655	17.9%
Write-down adjustment	N.A.	N.A.	N.A.		3,314		(3,314)	N.A.
Results after write-down adjustment	456	26,580	182,232		152,891		29,341	16.1%
City Link I ⁽³⁾	36	1,499	13,109		9,154		3,955	30.2%
Economic results ⁽⁴⁾	492	28,079	195,341		162,045		33,296	17.0%

(1) Revenue is recognized upon the transfer of significant risks and rewards of the ownership of the residential unit to the buyer, i.e. upon signing of the protocol of technical acceptance and the transfer of the key of the residential unit to the buyer.

(2) Cost of sales allocated to the delivered units proportionally to the expected total value of the project.

(3) The project presented in the Interim Condensed Consolidated Financial Statements under investment in joint ventures; the Company's share is 50%.

(4) Under the assumption that the results from joint ventures are presented on a fully consolidated basis (100%).

(5) Other revenues are mainly associated with fee income for management services provided to joint ventures and to Nova Krokikarnia project and with rental revenues, as well as with sales of parking places and storages in other projects that were completed in previous years.

Directors' report

Business highlights during the nine months ended 30 September 2017 (cont'd)

B. Results breakdown by project (cont'd)

Espresso II & III

The construction of the second and third stage Espresso project was completed in May 2016 and December 2016, respectively. The second and third stage phase of this project were developed on a land strip located in Wola district in Warsaw at Jana Kazimierza Street. The Espresso II project comprises 141 apartments and 10 commercial units and an aggregate floor space of 7,600 m². The Espresso III project comprises 147 apartments and 8 commercial units and an aggregate floor space of 8,500 m².

Kamienica Jeżyce

The construction of the last stage of Kamienica Jeżyce project was completed in December 2016. The project was developed on a land strip located in Jeżyce district in Poznań at Kościelna Street. The project comprises 290 apartments and 5 commercial units with an aggregate floor space of 15,200 m².

Moko

The construction of the last stage of Moko project was completed October 2016. The project was developed on a land strip located in Mokotów district in Warsaw at Magazynowa Street. The project comprises 326 apartments and 19 commercial units and an aggregate floor space of 23,700 m².

Vitalia I

The construction of the first phase of the Vitalia project was completed in September 2017. The project was developed on a land strip located in Krzyki district in Wrocław at Jutrzenki Street. The first phase of this project comprises 139 apartments with an aggregate floor space of 7,200 m².

Młody Grunwald I & II

The construction of the Młody Grunwald I project and the Młody Grunwald II project was completed in May 2014 and November 2015, respectively. The Młody Grunwald I and II projects were developed on a land strip located in Grunwald district in Poznań at Jeleniogórska Street. The Młody Grunwald I project comprises 136 apartments and 12 commercial units and an aggregate floor space of 8,500 m². The Młody Grunwald II project comprises 132 apartments and 5 commercial units and an aggregate floor space of 8,200 m².

Panoramika II

The construction of the second stage of the Panoramika project was completed in July 2016. The second phase of this project was developed on a part of land strip located in Szczecin at Duńska Street, and is a continuation of the Panoramika I project. The project comprises 107 apartments and an aggregate floor space of 5,900 m².

Impressio

The construction of the last stage of Impressio project was completed in July 2015. The project was developed on a land strip located in the Grabiszyn district in Wrocław at Rymarska Street. The project comprises 202 apartments and 4 commercial units and an aggregate floor space of 12,900 m².

Sakura

The construction of the last stage of Sakura project was completed in July 2015. The project was developed on a land strip located in Warsaw at Kłobucka Street. The project comprises 488 apartments and 27 commercial units and an aggregate floor space of 30,300 m².

Directors' report

Business highlights during the nine months ended 30 September 2017 (cont'd)***B. Results breakdown by project (cont'd)******Tamka***

The construction of the Tamka project was completed in September 2015. The Tamka project was developed on a land strip located in the Śródmieście district in Warsaw at Tamka Street (Warsaw city center). The Tamka project comprises 60 apartments and 5 commercial units with an aggregate floor space of 5,500 m².

Verdis

The construction of the last stage of Verdis project was completed in October 2015. The project was developed on a land strip located in the Wola district in Warsaw at Sowińskiego Street. The project comprises 418 apartments and 23 commercial units and an aggregate floor space of 26,100 m².

Naturalis I, II & III

The construction of the Naturalis I, II and III projects was completed in December 2012, August 2012 and August 2013, respectively. The Naturalis I, II and III projects were developed on a land strip located in Łomianki near Warsaw. The Naturalis I, II and III projects comprise 172 apartments and an aggregate floor space of 9,700 m².

Sales of land

On 19 July 2017, the Company sold to a third party (the right of perpetual usufruct) of real properties located in Warsaw.

Other

Other revenues are mainly associated with fee income for management services provided to joint ventures and to Nova Królikarnia project and with rental revenues, as well as with sales of parking places and storages in other projects that were completed in previous years.

City Link I

The construction of the first phase of the City Link project was completed in September 2017. The project was developed on part of a land strip located in the Wola district in Warsaw at Skierniewicka street. The first phase of this project comprises 301 apartments and 21 commercial units with an aggregate floor space of 14,700 m².

Directors' report**Business highlights during the nine months ended 30 September 2017 (cont'd)****C. Units sold during the period**

The table below presents information on the total units sold (i.e. total number of units for which the Company signed the preliminary sale agreements with the clients), during the nine months ended 30 September 2017:

Project name	Location	Units sold until 31 December 2016	Units sold during the period ended 30 September 2017	Units for sale as at 30 September 2017	Total
Espresso II & III ⁽¹⁾	Warsaw	284	17	5	306
Espresso IV ⁽²⁾	Warsaw	64	70	12	146
Miasto Moje I ⁽²⁾	Warsaw	39	82	84	205
Miasto Moje II ⁽²⁾	Warsaw	-	-	148	148
Młody Grunwald I & II ⁽¹⁾	Poznań	251	13	21	285
Młody Grunwald III ⁽²⁾	Poznań	33	38	37	108
City Link III ^{(2)/(4)}	Warsaw	-	63	305	368
Marina Miasto ⁽²⁾	Wrocław	-	29	122	151
Vitalia I ⁽¹⁾	Wrocław	29	78	32	139
Chilli IV ⁽²⁾	Poznań	6	2	37	45
Panoramika II ⁽¹⁾	Szczecin	90	9	8	107
Panoramika III ⁽²⁾	Szczecin	14	66	42	122
Moko ⁽¹⁾	Warsaw	276	26	43	345
Kamienica Jeżyce ⁽¹⁾	Poznań	274	19	2	295
Tamka ⁽¹⁾	Warsaw	64	1	-	65
Verdis ⁽¹⁾	Warsaw	430	2	9	441
Sakura ⁽¹⁾	Warsaw	498	12	5	515
Naturalis I, II & III ⁽¹⁾	Warsaw	171	-	1	172
Impressio ⁽¹⁾	Wrocław	204	2	1	207
Other (old) projects		1	(1)	4	4
Total excluding JV		2,728	528	918	4,174
City Link I ^{(1)/(3)}	Warsaw	264	48	10	322
City Link II ^{(2)/(3)}	Warsaw	95	69	25	189
Total including JV		3,087	645	953	4,685

(1) For information on the completed projects see "Business highlights during the 9 months ended 30 September 2017 – B. Results breakdown by project" (pages 4 to 6).

(2) For information on current projects under construction, see "Outlook for the remainder of 2017– B. Current projects under construction" (pages 17 to 19).

(3) The project presented in the Interim Condensed Consolidated Financial Statements under investment in joint ventures; the Company's share is 50%.

(4) Previously named Skierniewicka bis, the Company's share in the project is 100%.

Directors' report

Business highlights during the nine months ended 30 September 2017 (cont'd)

C. Units sold during the period (cont'd)

The table below presents further information on the units sold (i.e. total number of units for which the Company signed the preliminary sale agreements with the clients), including net saleable area (in m²) of the units sold and net value (exclusive of VAT) of the preliminary sales agreements (including also parking places and storages) executed by the Company, during the nine months ended 30 September 2017:

Project name	Location	Sold During the 9 months ended 30 September 2017		
		Number of units	Net saleable area (m ²)	Value of the preliminary sales agreements (in PLN thousands)
Espresso II & III ⁽¹⁾	Warsaw	17	1,308	9,369
Espresso IV ⁽²⁾	Warsaw	70	3,930	29,047
Miasto Moje I ⁽²⁾	Warsaw	82	3,984	22,865
Młody Grunwald I & II ⁽¹⁾	Poznań	13	1,085	6,482
Młody Grunwald III ⁽²⁾	Poznań	38	2,060	12,183
City Link III ^{(2)/(4)}	Warsaw	63	2,689	25,742
Marina Miasto ⁽²⁾	Wrocław	29	1,159	9,329
Vitalia I ⁽¹⁾	Wrocław	78	3,687	19,998
Chilli IV ⁽²⁾	Poznań	2	118	475
Panoramika II ⁽¹⁾	Szczecin	9	689	3,075
Panoramika III ⁽²⁾	Szczecin	66	2,825	13,068
Moko ⁽¹⁾	Warsaw	26	2,748	22,198
Kamienica Jeżyce ⁽¹⁾	Poznań	19	1,535	8,753
Tamka ⁽¹⁾	Warsaw	1	60	983
Verdis ⁽¹⁾	Warsaw	2	137	1,106
Sakura ⁽¹⁾	Warsaw	12	923	6,254
Naturalis I, II & III ⁽¹⁾	Warsaw	-	-	291
Impressio ⁽¹⁾	Wrocław	2	237	1,643
Other (old) projects		(1)	(47)	(537)
Total excluding JV		528	29,127	192,324
City Link I ^{(1)/(3)}	Warsaw	48	2,287	20,920
City Link II ^{(2)/(3)}	Warsaw	69	3,021	28,775
Total including JV		645	34,435	242,019

(1) For information on the completed projects see "Business highlights during the 9 months ended 30 September 2017 – B. Results breakdown by project" (pages 4 to 6).

(2) For information on current projects under construction, see "Outlook for the remainder of 2017– B. Current projects under construction" (pages 17 to 19).

(3) The project presented in the Interim Condensed Consolidated Financial Statements under investment in joint ventures; the Company's share is 50%.

(4) Previously named Skierniewicka bis; the Company's share in the project is 100%.

Directors' report

Business highlights during the nine months ended 30 September 2017 (cont'd)

D. Commencements of new projects

The table below presents information on the projects for which the construction and/or sales process commenced during the nine months ended 30 September 2017:

Project name	Location	Number of units	Area of units (m2)
City Link III ⁽¹⁾⁽²⁾	Warsaw	368	18,700
Marina Miasto ⁽¹⁾	Wrocław	151	6,200
Miasto Moje II ⁽¹⁾	Warsaw	148	8,100
Total		667	33,000

(1) For information on current projects under construction, see "Outlook for the remainder of 2017– B. Current projects under construction" (pages 17 to 19).

(2) Previously named *Skierniewicka bis*, the Company's share in the project is 100%.

E. Land purchase

In January 2017, the Company entered into conditional sale agreements concerning the acquisition of real properties located in Warsaw, Ursus district, and into certain cooperation agreements. The Properties are covered by a local zoning plan which allows for the development of multi-family housing projects on the properties. It is envisaged that the properties will allow for development of approximately 1,600 apartments. The total sales price for the acquisition of the properties plus the value of the work which must be performed to allow the Company to carry out the housing projects (such work being the responsibility of the sellers) has been agreed at PLN 82.0 million plus applicable VAT. The individual final agreements covered by the transaction are planned to be concluded in stages by December 2019. The Company paid a portion of the price amounting to PLN 66.5 million plus applicable VAT. Subsequent payments towards the total price will be made in accordance with the schedule adopted by the Company and the sellers for the years 2017-2019. The Company expects that the first stage of the housing project to be developed on the properties will commence in the first half of 2018.

Financial information

The Interim Condensed Consolidated Financial Statements as included in this Interim Financial Report on pages 24 through 49 have been prepared in accordance with IAS 34 "Interim financial reporting".

The Interim Condensed Consolidated Financial Statements do not include all the information and disclosures required in annual consolidated financial statements prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ("IFRS") and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2016 which have been prepared in accordance with IFRS. At the date of authorization of these Interim Condensed Consolidated Financial Statements, in light of the nature of the Group's activities, the IFRSs applied by the Group are not different from the IFRSs endorsed by the European Union. IFRSs comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC"). For additional information, see Note 3 of the Interim Condensed Consolidated Financial Statements.

Directors' report**Overview of results**

The net profit attributable to the equity holders of the parent company for the nine months ended 30 September 2017 was PLN 127 thousand and can be summarized as follows:

	For the nine months ended	
	30 September	
	2017	2016
	PLN	
	(thousands, except per share data)	
Revenue	182,232	202,565
Cost of sales	(152,891)	(161,521)
Gross profit	29,341	41,044
Selling and marketing expenses	(3,652)	(5,831)
Administrative expenses	(14,380)	(14,259)
Share of profit/(loss) of associates	(447)	(903)
Other expense	(3,694)	(2,341)
Other income	591	657
Result from operating activities	7,759	18,367
Finance income	667	1,523
Finance expense	(5,943)	(6,587)
Net finance income/(expense)	(5,276)	(5,064)
Profit/(loss) before taxation	2,483	13,303
Income tax benefit/(expenses)	(461)	(1,861)
Net profit/(loss) for the period before non-controlling interests	2,022	11,442
Non-controlling interests	(1,895)	(617)
Net profit/(loss) for the period attributable to the equity holders of the parent	127	10,825
Net earnings/(loss) per share attributable to the equity holders of the parent (basic and diluted)	0.001	0.040

Revenue

Total revenue decreased by PLN 20.4 million (10.0%) from PLN 202.6 million during the nine months ended 30 September 2016 to PLN 182.2 million during the nine months ended 30 September 2017, which is primarily explained by an decrease in apartments delivered to the customers in terms of area size (in m²).

Directors' report

Overview of results (cont'd)

Cost of sales

Cost of sales decreased by PLN 8.6 million (5.3%) from PLN 161.5 million during the nine months ended 30 September 2016 to PLN 152.9 million during the nine months ended 30 September 2017, which is primarily explained by an decrease in apartments delivered to the customers in terms of area size (in m²), the decrease was offset in part by a write down adjustment.

During the nine months ended 30 September 2017, as a result of Net Realizable Value (NRV) analyses and reviews, a write-down adjustment for some of the Company's inventory was made in the amount of PLN 3.3 million, which compares to a write-down adjustment of nil during the nine months ended 30 September 2016.

Gross margin

The gross margin during the nine months ended 30 September 2017 before write-down adjustment was 17.9% which compares to a gross margin before write-down adjustment during the nine months ended 30 September 2016 of 20.3%.

Selling and marketing expenses

Selling and marketing expenses decreased by PLN 2.2 million (37.4%) from PLN 5.8 million for the nine months ended 30 September 2016 to PLN 3.6 million for the nine months ended 30 September 2017. The decrease is primarily explained by the fact that during nine months ended 30 September 2017 the Company commenced the construction of 3 projects/stages with 667 units compared to 7 projects/stages with 921 units that were commenced during nine months ended 30 September 2016, as well as by a decrease in fees for real-estate agencies.

Administrative expenses

Administrative expenses increased by PLN 0.1 million (0.8%) from PLN 14.3 million for the nine months ended 30 September 2016 to PLN 14.4 million for the nine months ended 30 September 2017. The increase is primarily explained by increase in the costs of consulting services related to various restructuring initiatives of the Group and management fee paid to A. Luzon Group, the increase was offset in part by decrease in personnel expenses.

Share of profit/(loss) of associates

Share of profit/(loss) of associates comprise the Company's 50% interest in the joint ventures companies Ronson IS sp. z o.o. and in Ronson IS Sp. z o.o. Sp.k (JV) company running the first two stages of project City Link in Warsaw.

During nine months ended 30 September 2017 the net profit of the JV was negative and amounted to minus PLN 894 thousand (of which 50% amounting to PLN 447 thousand was allocated to the Company).

In September 2017, the JV completed first stage of project City Link and commenced deliveries of units to the customers (36) which allowed for recognition of gross profit of PLN 4.0 million during first nine months of 2017, which was mainly offset by the management fee paid to Company (in amount of PLN 4.0 million).

Other expenses

Other expenses increased by PLN 1.4 million (57.8%) from PLN 2.3 million for the nine months ended 30 September 2016 to PLN 3.7 million for the nine months ended 30 September 2017. The increase is primarily explained by increase in maintenance expenses for unsold units.

Result from operating activities

As a result of the factors described above, the Company's operating result decreased by PLN 10.6 million, from an operating profit of PLN 18.4 million for nine months ended 30 September 2016 to an operating profit of PLN 7.8 million for nine months ended 30 September 2017.

Directors' report**Overview of results (cont'd)***Net finance income/(expense)*

Finance income/(expense) is accrued and capitalized as part of the cost price of inventory to the extent this is directly attributable to the construction of residential units. Unallocated finance income/(expense) not capitalized is recognized in the statement of comprehensive income.

The table below shows the finance income/(expense) before capitalization into inventories and the total finance income/(expenses) capitalized into inventories:

	For the nine months ended 30 September 2017		
	PLN (thousands)		
	<u>Total amount</u>	<u>Amount capitalized</u>	<u>Recognized as profit or loss</u>
Finance income	667	-	667
Finance expense	(11,457)	5,514	(5,943)
Net finance income/(expense)	(10,790)	5,514	(5,276)

	For the nine months ended 30 September 2016		
	PLN (thousands)		
	<u>Total amount</u>	<u>Amount capitalized</u>	<u>Recognized as profit or loss</u>
Finance income	1,523	-	1,523
Finance expense	(11,908)	5,321	(6,587)
Net finance income/(expense)	(10,385)	5,321	(5,064)

Finance expenses before capitalization decreased by PLN 0.5 million (3.8%) from PLN 11.9 million during the nine months ended 30 September 2016 to PLN 11.4 million during the nine months ended 30 September 2017. The decrease is primarily explained by the decrease in the average margin on bonds issued.

Finance income decreased by PLN 0.9 million (56.2%) from PLN 1.5 million during the nine months ended 30 September 2016 to PLN 0.6 million during the nine months ended 30 September 2017. The decrease is primarily explained by the decrease in cash and cash equivalents.

Income tax benefit/(expenses)

During the nine months ended 30 September 2017, the income tax expense amounted to PLN 0.5 million, in comparison to an income tax expense of PLN 1.9 million for the nine months ended 30 September 2016.

Non-controlling interests

Non-controlling interests comprise the share of minority shareholders in profit and losses from subsidiaries that are not 100% owned by the Company. During the nine months ended 30 September 2017, the minority shareholders share in the profit amounted to PLN 1.9 million (negatively impacting equity attributable to the holders of the parent), as compared to share in profit amounting to PLN 0.6 million (negative impact) during the nine months ended 30 September 2016. The change in the non-controlling interest is explained by the revenue and income recognized from the Espresso III project that was completed in December 2016.

Directors' report**Overview of selected details from the Interim Condensed Consolidated Statement of Financial Position**

The following table presents selected details from the Interim Condensed Consolidated Statement of Financial Position in which material changes had occurred.

	As at 30 September 2017	As at 31 December 2016
	PLN (thousands)	
Inventory	<u>511,896</u>	<u>574,098</u>
Advances received	<u>83,334</u>	<u>100,607</u>
Loans and borrowings	<u>219,135</u>	<u>226,092</u>

Inventory

The balance of inventory is PLN 511.9 million as of 30 September 2017 compared to PLN 574.1 million as of 31 December 2016. The decrease in inventory is primarily explained by cost of sales recognized for a total amount of PLN 149.5 million. The decrease is offset in part by the Group's investments associated with direct construction costs for a total amount of PLN 78.8 million.

Advances received

The balance of advances received is PLN 83.3 million as of 30 September 2017 compared to PLN 100.6 million as of 31 December 2016. The decrease is a result of revenues recognized from the sale of residential units for a total amount of PLN 175.9 million and is offset in part by advances received from clients regarding sales of residential units for a total amount PLN 158.6 million.

Loans and borrowings

The total of short-term and long-term loans and borrowings is PLN 219.1 million as of 30 September 2017 compared to PLN 226.1 million as of 31 December 2016. The decrease in loans and borrowings is primarily explained by the effect of repayment of bond loans for a total amount of PLN 95.5 million and repayment of bank loans for a total amount of PLN 46.6 million. The decrease is offset in part by the effect of proceeds from bond loans net of issue costs for a total amount of PLN 69.1 million and proceeds from bank loans, net of bank charges for a total amount of PLN 64.9 million. Of the mentioned PLN 219.1 million, an amount of PLN 33.6 million comprises facilities maturing no later than 30 September 2018.

The maturity structure of the loans and borrowings reflects the Company's recent activities related to bonds issued from 2014 through the nine months ended 30 September 2017 as well as the maturity of the banking loans that were obtained by the Company to finance construction costs of the projects developed by the Company.

The balance of loans and borrowings may be split into two categories: 1) bond loans, 2) banking loans related to residential projects which are completed or under construction.

Bond loans as at 30 September 2017 amounted to PLN 198.3 million comprising a loan principal amount of PLN 197.2 million plus accrued interest of PLN 2.9 million minus one-time costs directly attributed to the bond issuances which are amortized based on the effective interest method (PLN 1.8 million). For additional information see Note 11 of the Interim Condensed Consolidated Financial Statements.

The bank loans supporting completed projects or projects under construction are tailored to the pace of construction works and sales. As at 30 September 2017, loans in this category amounted to PLN 20.8 million.

Directors' report**Overview of cash flow results**

The Group funds its day-to-day operations principally from cash flow provided by its operating activities, loans and borrowings under its loan facilities.

The following table sets forth the cash flow on a consolidated basis:

	For the nine months ended 30 September	
	2017	2016
	PLN (thousands)	
Cash flow from/(used in) operating activities	<u>11,603</u>	<u>35,168</u>
Cash flow from/(used in) investing activities	<u>13,637</u>	<u>(324)</u>
Cash flow from/(used in) financing activities	<u>(40,741)</u>	<u>(41,353)</u>

Cash flow from/(used in) operating activities

The Company's net cash inflow from operating activities for the nine months ended 30 September 2017 amounted to PLN 11.6 million which compares to a net cash inflow from operating activities during the nine months ended 30 September 2016 amounting to PLN 35.2 million. The decrease is principally explained by:

- a net cash outflow used in advances for land amounting to PLN 30.5 million during the nine months ended 30 September 2017 compared to nil during the nine months ended 30 September 2016;
- a net cash inflow from advances received from clients regarding sales of residential units amounting to PLN 158.6 million during the nine months ended 30 September 2017, in comparison to a net cash inflow from advances received in the amount of PLN 229.6 million during the nine months ended 30 September 2016.

This effect was offset in part by:

- a net cash outflow used in the Group's investments associated with inventory amounting to PLN 90.6 million during the nine months ended 30 September 2017 as compared to PLN 178.6 million during the nine months ended 30 September 2016.

Cash flow from/(used in) investing activities

The Company's net cash inflow from investing activities amounting to PLN 13.6 million during the nine months ended 30 September 2017 compared to a net cash outflow used in investing activities totaling PLN 0.3 million during the nine months ended 30 September 2016. The increase is primarily explained by:

- a cash inflow in connection with investments in joint ventures amounting to PLN 13.4 million (net proceeds from loans granted to joint ventures) during the nine months ended 30 September 2017 compared to a cash inflow in connection with investments in joint ventures amounting to PLN 0.4 million during the nine months ended 30 September 2016.

Directors' report

Overview of cash flow results (cont'd)

Cash flow from/(used in) financing activities

The Company's net cash outflow used in financing activities amounted to PLN 40.7 million during the nine months ended 30 September 2017 compared to a net cash outflow used in financing activities amounted to PLN 41.4 million in the nine months ended 30 September 2016. The increase is primarily due to:

- net proceeds of secured bank loans amounting to PLN 18.4 million during the nine months ended 30 September 2017 compared to a net repayment of secured bank loans amounting to PLN 55.7 million during the nine months ended 30 September 2016.

This effect was offset in part by:

- a net repayment of bond loans amounting to PLN 26.4 million during the nine months ended 30 September 2017 compared to net proceeds of bond loans amounting to PLN 36.1 million during the nine months ended 30 September 2016;
- payment of dividends amounting to PLN 31.2 million during the nine months ended 30 September 2017 compared to a payment of dividend amounting to PLN 21.8 million during the nine months ended 30 September 2016.

Quarterly reporting by the Company

As a result of requirements (indirectly) pertaining to I.T.R. Dori B.V., the Company's largest shareholder, whose ultimate parent company is listed on the Tel Aviv stock exchange, the first quarter reports, semi-annual reports and third quarter reports are subject to a full scope review by the Company's auditors. For the Company itself, being domiciled in the Netherlands and listed on the Warsaw Stock Exchange, only the semi-annual report is subject to a review. The Company has agreed with the ultimate parent company of I.T.R. Dori B.V. that the costs for the first and third quarter review will be shared between the Company and its shareholder. The Company considers having its first and third quarter report provided with a review report a benefit to all of its shareholders.

Directors' report

Selected financial data

PLN/EUR	Exchange rate of Polish Zloty versus Euro			
	Average exchange rate	Minimum exchange rate	Maximum exchange rate	Period end exchange rate
2017 (9 months)	4.266	4.174	4.416	4.309
2016 (9 months)	4.359	4.236	4.499	4.312

Source: National Bank of Poland ("NBP")

Selected financial data	EUR*		PLN	
	(thousands, except per share data and number of shares)			
	For the nine months ended 30 September or as at 30 September			
	2017	2016	2017	2016
Revenues	42,717	46,471	182,232	202,565
Gross profit	6,878	9,416	29,341	41,044
Profit/(loss) before taxation	582	3,052	2,483	13,303
Net profit/(loss) for the period attributable to the equity holders of the parent	30	2,483	127	10,825
Cash flows from/(used in) operating activities	2,720	8,068	11,603	35,168
Cash flows from/(used in) investing activities	3,197	(74)	13,637	(324)
Cash flows from/(used in) financing activities	(9,550)	(9,487)	(40,741)	(41,353)
Increase/(decrease) in cash and cash equivalents	(3,634)	(1,493)	(15,501)	(6,509)
Inventory	118,797	166,941	511,896	719,849
Total assets	157,470	205,191	678,539	884,785
Advances received	19,340	33,694	83,334	145,287
Long term liabilities	45,249	36,327	194,979	156,644
Short term liabilities (including advances received)	35,002	64,719	150,823	279,067
Equity attributable to the equity holders of the parent	76,248	103,603	328,552	446,734
Share capital	3,043	5,054	12,503	20,762
Average number of equivalent shares (basic)	164,010,813	272,360,000	164,010,813	272,360,000
Net earnings/(loss) per share (basic and diluted)	0.000	0.009	0.001	0.040

* Information is presented in EUR solely for presentation purposes. Due to changes in the Polish Zloty against the Euro exchange rate over the past period, the Statement of Financial Position data may not accurately reflect the actual comparative financial position of the Company. The reader should consider changes in the PLN / EUR exchange rate from 1 January 2016 to 30 September 2017, when reviewing this data.

Selected financial data were translated from PLN into EUR in the following way:

(i) Statement of financial position data were translated using the period end exchange rate published by the National Bank of Poland for the last day of the period.

(ii) Statement of comprehensive income and cash flows data were translated using the arithmetical average of average exchange rates published by the National Bank of Poland.

Directors' report

Outlook for the remainder of 2017

A. Completed projects

The table below presents information on the total residential units in the completed projects/stages that the Company expects to sell and deliver during the remainder of 2017:

Project name	Location	Number of units delivered ⁽¹⁾			Number of units expected to be delivered ⁽¹⁾			Total project
		Until 31 December 2016	During the period ended 30 September 2017	Total units delivered	Sold until 30 September 2017	Units for sales as at 30 September 2017	Total units expected to be delivered	
Espresso II & III ⁽²⁾	Warsaw	153	147	300	1	5	6	306
Kamienica Jeżyce ⁽²⁾	Poznań	123	169	292	1	2	3	295
Moko ⁽²⁾	Warsaw	256	37	293	9	43	52	345
Vitalia I ⁽²⁾	Wrocław	-	52	52	55	32	87	139
Młody Grunwald I & II ⁽²⁾	Poznań	250	9	259	5	21	26	285
Panoramika II ⁽²⁾	Szczecin	85	11	96	3	8	11	107
Naturalis I,II & III ⁽²⁾	Warsaw	166	4	170	1	1	2	172
Sakura ⁽²⁾	Warsaw	495	13	508	2	5	7	515
Verdis ⁽²⁾	Warsaw	425	4	429	3	9	12	441
Tamka ⁽²⁾	Warsaw	62	3	65	-	-	-	65
Impressio ⁽²⁾	Wrocław	197	7	204	2	1	3	207
Other (old) projects		1	-	1	1	4	5	6
Total excluding JV		2,213	456	2,669	83	131	214	2,883
City Link I ⁽²⁾⁽³⁾	Warsaw	-	36	36	276	10	286	322
Total including JV		2,213	492	2,705	359	141	500	3,205

- (1) For the purpose of disclosing information related to the particular projects, the word "sell" ("sold") is used, that relates to signing the preliminary sale agreement with the client for the sale of the apartment; whereas the word "deliver" ("delivered") relates to the transferring of significant risks and rewards of the ownership of the residential unit to the client.
- (2) For information on the completed projects see "Business highlights during the 9 months ended 30 September 2017 - B. Results breakdown by project" (pages 4 to 6).
- (3) The project is presented in the Consolidated Financial Statements under Investment in joint ventures; the Company's share in the project is 50%.

B. Current projects under construction and/or on sale

The table below presents information on projects for which completion is scheduled during the remainder of 2017, 2018 and in 2019. The Company has obtained construction permits for all projects/stages and has commenced construction.

Project name	Location	Units sold	Units for sale	Total units	Net saleable area (m ²)	Expected completion of construction
		until 30 September 2017	as at 30 September 2017			
Chilli IV	Poznań	8	37	45	2,900	2017
Panoramika III	Szczecin	80	42	122	5,700	2017
Młody Grunwald III	Poznań	71	37	108	7,100	2017
Espresso IV	Warsaw	134	12	146	8,100	2018
Miasto Moje I	Warsaw	121	84	205	10,900	2018
Miasto Moje II	Warsaw	-	148	148	8,100	2018
City Link III ⁽²⁾	Warsaw	63	305	368	18,700	2019
Marina Miasto	Wrocław	29	122	151	6,200	2019
Subtotal - excluding JV		506	787	1,293	67,700	
City Link II ⁽¹⁾	Warsaw	164	25	189	8,800	2018
Total - including JV		670	812	1,482	76,500	

- (1) The project is presented in the Consolidated Financial Statements under Investment in joint venture; the Company's share in the project is 50%.
- (2) Previously named Skierniewicka bis; the Company's share in the project is 100%.

Directors' report

Outlook for the remainder of 2017 (cont'd)

B. Current projects under construction and/or on sale (cont'd)

Chilli IV

Description of project

The fourth phase of the Chilli project is being developed on a part of land strip located in Tulce near Poznań, and is a continuation of the Chilli I, II and III projects, which were completed in 2012, 2013 and 2014, respectively. The fourth phase of this project will comprise 45 apartments units with an aggregate floor space of 2,900 m².

Stage of development

The construction of the Chilli IV project commenced in June 2016, while completion is expected in the fourth quarter of 2017

Panoramika III

Description of project

The third phase of the Panoramika project is being developed on a part of land strip located in Szczecin at Duńska Street, and is a continuation of the Panoramika I and II projects, which were completed in 2012 and 2016, respectively. The third phase of this project will comprise 122 apartments and an aggregate floor space of 5,800 m².

Stage of development

The construction of the Panoramika III project commenced in May 2016, while completion is expected in the fourth quarter of 2017.

Młody Grunwald III

Description of project

The third and last phase of the Młody Grunwald project is being developed on a part of land strip located in Grunwald district in Poznań at Jeleniogórska Street, and is a continuation of the Młody Grunwald I and II projects, which were completed in 2014 and 2015, respectively. The third phase of this project will comprise 104 apartments and 4 commercial units with an aggregate floor space of 7,100 m².

Stage of development

The construction of the Młody Grunwald III project commenced in March 2016, while completion is expected in the fourth quarter of 2017.

Espresso IV

Description of project

The fourth (and last) phase of the Espresso project is being developed on a land strip located in Wola district in Warsaw at Jana Kazimierza Street, and is a continuation of Espresso I, II and III projects which were completed in 2014, 2016 and 2016, respectively. The fourth phase of this project will comprise 135 apartments and 11 commercial units and an aggregate floor space of 8,100 m².

Stage of development

The construction of the Espresso IV project commenced in March 2016, while completion is expected in the first quarter of 2018.

Directors' report

Outlook for the remainder of 2017 (cont'd)

B. Current projects under construction and/or on sale (cont'd)

Miasto Moje I and II

Description of project

The first and second stages of the Miasto Moje project are being developed on a land strip located in the Białołęka district in Warsaw at Marywilska Street. The first stage of this project will comprise 191 apartments and 14 commercial units with an aggregate floor space of 10,900 m², while the second stage of this project will comprise 148 units with an aggregate floor space of 8,100 m².

Stage of development

The construction of the Miasto Moje I project commenced in June 2016 and the sales process commenced in September 2016, while completion is expected in the first quarter of 2018. The construction of the Miasto Moje II project commenced in August 2017, while completion is expected in the fourth quarter of 2018.

City Link III

Description of project

The City Link III project is being developed on a land strip located in the Wola district in Warsaw at Skierniewicka street. City Link III project will comprise 364 apartments and 4 commercial units with an aggregate floor space of 18,700 m².

Stage of development

The construction of the City Link III project commenced in June 2017, while completion is expected in the third quarter of 2019.

Marina Miasto

Description of project

The Marina Miasto project is being developed on a land strip located in Wrocław at Na Grobli Street. The project will comprise 151 units with an aggregate floor space of 6,200 m².

Stage of development

The construction of the Marina Miasto project commenced in July 2017, while completion is expected in the first quarter of 2019.

City Link II

Description of project

The second phase of this project is being developed on part of a land strip located in the Wola district in Warsaw at Skierniewicka street, and is a continuation of the City Link I project which was completed in September 2017. The second phase of this project will comprise 184 apartments and 5 commercial units with an aggregate floor space of 8,800 m².

Stage of development

The pre-sales of the City Link II project commenced in April 2016, while the construction commenced in November 2016. Completion of the City Link II project is expected in the fourth quarter of 2018.

Directors' report

Outlook for the remainder of 2017 (cont'd)***C. Projects for which construction work is planned to commence during the remainder of 2017***

As the Company is aware of the increasing competition in the market, the Company has been careful to manage the number of new projects and the makeup of such projects in order to best satisfy consumer demand. During the remainder of 2017, the Company is considering the commencement of development of the two phases of ongoing projects, which management believes are well-suited to current customer requirements, including smaller apartments at more economical prices. Furthermore, in order to minimize market risk, the Company's management breaks down the new projects into relatively smaller stages. In the event of any market deterioration or difficulties with securing financing by the banks for the considered projects, management may further delay some of those plans.

New stages of running projects***Panoramika IV***

The Panoramika IV project is a continuation of the Panoramika I – III projects. The project will comprise 111 units with an aggregate floor space of 5,800 m². The Company is considering commencing construction of this project during the remainder of 2017.

Vitalia II

The Vitalia II project is a continuation of the Vitalia I project. The project will comprise 83 units with an aggregate floor space of 4,700 m². The Company is considering commencing construction of this project during the remainder of 2017.

Directors' report**Outlook for the remainder of 2017 (cont'd)****D. Value of the preliminary sales agreements signed with clients for which revenue has not been recognized in the Interim Condensed Consolidated Statement of Comprehensive Income**

The current volume and value of the preliminary sales agreements signed with the clients do not impact the Condensed Consolidated Statement of Comprehensive Income account immediately but only after final settlement of the contracts with the customers (for more details see under "A – Completed projects" above on page 17). The table below presents the value of the preliminary sales agreements executed with the Company's clients in particular for units that have not been recognized in the Interim Condensed Consolidated Statement of Comprehensive Income:

Project name	Location	Value of the preliminary sales agreements signed with clients in thousands of PLN	Completed / expected completion of construction
Moko ⁽¹⁾	Warsaw	8,110	Completed
Espresso II & III ⁽¹⁾	Warsaw	605	Completed
Impressio ⁽¹⁾	Wrocław	1,682	Completed
Verdis ⁽¹⁾	Warsaw	1,490	Completed
Sakura ⁽¹⁾	Warsaw	1,236	Completed
Młody Grunwald I, II ⁽¹⁾	Poznań	2,284	Completed
Naturalis I, II & III ⁽¹⁾	Warsaw	583	Completed
Kamienica Jeżyce ⁽¹⁾	Poznań	414	Completed
Panoramika II ⁽¹⁾	Szczecin	927	Completed
Vitalia I ⁽¹⁾	Wrocław	12,730	Completed
Other (old) projects		1,032	Completed
Subtotal completed projects		31,093	
Młody Grunwald III ⁽²⁾	Poznań	23,177	2017
Panoramika III ⁽²⁾	Szczecin	16,164	2017
Chilli IV ⁽²⁾	Poznań	1,973	2017
Espresso IV ⁽²⁾	Warsaw	53,915	2018
Miasto Moje I ⁽²⁾	Warsaw	34,657	2018
Marina Miasto ⁽²⁾	Wrocław	9,328	2019
City Link III ^{(2)/(4)}	Warsaw	25,742	2019
Subtotal ongoing projects		164,956	
City Link I ^{(2)/(3)}	Warsaw	105,921	Completed
City Link II ^{(2)/(3)}	Warsaw	69,976	2018
Subtotal project held by joint venture		175,897	
Total		371,946	

(1) For information on the completed projects see "Business highlights during the 9 months ended 30 September 2017 – B. Results breakdown by project" (pages 4 to 6).

(2) For information on current projects under construction and/or on sale, see under "B" above (pages 17 to 19).

(3) This project is presented in the Consolidated Financial Statements under Investment in joint ventures, the Company's share in this project is 50%.

(4) Previously named Skierniewicka bis; the Company's share in the project is 100%.

E. Main risks and uncertainties during the remainder of 2017

While the improving market in 2014, 2015, 2016 and the first nine months of 2017 potentially bodes well for the Company in the remainder of 2017 and in 2018, the overall economic and geopolitical situation in Europe and in Poland and the ongoing uncertainties in the housing market make it very difficult to predict with precision the anticipated results for the remainder of 2017. The level of development of the Polish economy, the performance of the banking industry and consumers' interest in new housing projects, as well as increasing competition in the market are considered to be the most significant uncertainties for the remainder of the financial year ending 31 December 2017.

Directors' report

Additional information to the report

To the best of the Company's knowledge, as of the date of publication of this report (6 November 2017), the following shareholders are entitled to exercise over 3% of the voting rights at the General Meeting of Shareholders in the Company:

Shares

	As of 6 November 2017 Number of shares / % of shares	Change in number of shares	As of 30 September 2017 Number of shares / % of shares	Change in number of shares	As of 31 December 2016 Number of shares / % of shares
Shares issued:	164,010,813	-	164,010,813	(108,349,187)	272,360,000
Major shareholders:					
Ronson Europe N.V. (treasury shares: redeemed as per 1 March 2017)	-	-	-	(108,349,187)	108,349,187 39.78%
I.T.R. Dori B.V. ⁽¹⁾	87,449,187 53.32%	-	87,449,187 53.32%	-	87,449,187 32.11%
RN Residential B.V. ⁽²⁾	20,900,000 12.74%	-	20,900,000 12.74%	-	20,900,000 7.67%
Nationale Nederlanden Otwarty Fundusz Emerytalny	23,884,091 14,6%	-	23,884,091 14,6%	N/A	N/A Between 5%-10%
Metlife Otworthy Fundusz Emerytalny	N/A Between 5%-10%	N/A	N/A Between 5%-10%	N/A	N/A Between 3%-5%
Aviva OFE Aviva BZWBK	N/A Between 3%-5%	N/A	N/A Between 3%-5%	N/A	N/A Below 3%

⁽¹⁾ I.T.R. Dori B.V. is a subsidiary of A. Luzon Group.

⁽²⁾ RN Residential B.V. is a subsidiary of A. Luzon Group.

As of the date of the redemption of the treasury shares held by Ronson Europe N.V (1 March 2017) and as at 30 September 2017 and the date of publication of this report, A. Luzon Group indirectly controls 66.06% of the Company's outstanding shares.

Changes in the Management Board in the nine months ended 30 September 2017 and until the date of publication of this report

The Extraordinary General Meeting of Shareholders held on 1 March 2017 approved the appointment of Mr Erez Tik and Mr Alon Haver as members of the Management Board and managing directors B for a term of four years. Mr Erez Tik and Mr Alon Haver replaced Mr Erez Yoskovitz, who stepped down as managing director B effective on the day of the Extraordinary General Meeting of Shareholders (1 March 2017) and Mr Roy Vishnovizki, who submitted his resignation as managing director B on 18 January 2017 with immediate effect.

On 27 April 2017, Mr Shraga Weisman submitted his resignation from his function as member of the Management Board and CEO of the Company with effect from that same date. The Annual General Meeting of Shareholders held on 30 June 2017 approved (i) the appointment of Mr Tomasz Łapiński, until then holding a position as member of the Management Board (managing director A) and CFO of the Company, as member of the Management Board (managing director A) and as CEO of the Company for a term of four years and (ii) the appointment of Mr Rami Geris, until then Financial Controller of the Company, as member of the Management Board (managing director A) and as CFO of the Company for a term of four years.

On 7 September 2017, Mr Tomasz Łapiński submitted his resignation as CEO and member of Ronson Europe's Management Board effective no later than 1 December 2017. To replace Mr Łapiński, the appointment of Mr Nir Netzer as CEO and member of Management Board (managing director A) for a term of four years will be proposed for approval to the Extraordinary General Meeting of Shareholders to be held on 20 November 2017.

Directors' report

Additional information to the report (cont'd)

Changes in the Supervisory Board in the nine months ended 30 September 2017 and until the date of publication of this report

The Extraordinary General Meeting of Shareholders held on 1 March 2017 approved the appointment of Ms Michal Shapira, Mr Ofer Kadouri and Mr Alon Kadouri as members of the Supervisory Board for a term of four years. Ms Michal Shapira, Mr Ofer Kadouri and Mr Alon Kadouri replaced Mr Mark Segall, Mr Yair Shilhav and Mr Reuben Sharoni, who stepped down as Supervisory Board directors effective on the day of the Extraordinary General Meeting of Shareholders (1 March 2017).

The Annual General Meeting of Shareholders held on 30 June 2017 approved the appointment of Mr Piotr Palenik as member of the Supervisory Board for a term of four years.

On 13 September 2017, Ms Mikhal Shapira submitted her resignation from her function as a member of the Supervisory Board with effect as of 13 September 2017. To replace Ms Shapira, the appointment of Mr Shmuel Rofe as member of the Supervisory Board for a term of four years will be proposed for approval to the Extraordinary General Meeting of Shareholders to be held on 20 November 2017.

Changes in ownership of shares and rights to shares by Supervisory Board members in the nine months ended 30 September 2017 and until the date of publication of this report

Mr Amos Luzon as at 30 September 2017 and as at the day of publishing this report held 75.36% of the shares and voting rights in A. Luzon Group (through A. Luzon Properties and Investments Ltd., a private company owned by Mr Amos Luzon "99%"), and as a result, thus indirectly held a 49.28% interest in the Company.

Mr Erez Tik as at 30 September 2017 and as at the day of publishing this report held 0.98% of the shares and voting rights in A. Luzon Group, and as a result, thus indirectly held a 0.647% interest in the Company.

Other

As of 30 September 2017, the Company has issued guarantees for bank loans granted to subsidiaries amounting to a total of PLN 73 thousand.

As of 30 September 2017, the Group had no litigations for claims or liabilities that in total would exceed 10% of the Group's equity.

Responsibility statement

The Management Board confirms that, to the best of its knowledge, these Interim Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 "Interim financial reporting". At the date of authorization of these Interim Condensed Consolidated Financial Statements, in light of the current process of IFRS endorsement in the European Union and the nature of the Group's activities, there is no difference between the IFRSs applied by the Group and the IFRSs endorsed by the European Union. IFRSs comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC"). The Interim Condensed Consolidated Financial Statements give a true and fair view of the state of affairs of the Group at 30 September 2017 and of the net result for the period then ended.

The Directors' report in this Interim Financial Report gives a true and fair view of the situation on the balance sheet date and of developments during the nine months period together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year. The nine months management board report gives a true and fair view of the important events of the past nine-month period and their impact on the Interim Condensed Consolidated Financial Statements, as well as the principal risks and uncertainties for the period to come, and the most important related party transactions.

The Management Board

Tomasz Łapiński
 Chief Executive Officer

Rami Geris
 Chief Financial Officer

Andrzej Gutowski
 Sales and Marketing Director

Erez Tik
Rotterdam, 6 November 2017

Alon Haver

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2017**Interim Condensed Consolidated Statement of Financial Position**

As at		30 September 2017 (Reviewed/ Unaudited)	31 December 2016 (Audited)
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>		
Assets			
Property and equipment		8,303	8,823
Investment property		8,743	8,743
Investment in joint ventures	19	-	744
Deferred tax assets		4,016	3,616
Total non-current assets		21,062	21,926
Inventory	9	511,896	574,098
Advances for land*		67,400	36,900
Trade and other receivables and prepayments*		9,907	10,145
Income tax receivable		499	492
Loans granted to third parties		-	508
Loans granted to joint ventures	19	3,100	15,906
Amount due from former shareholder		-	9,900
Other current financial assets		11,120	4,480
Cash and cash equivalents		53,555	69,056
Total current assets		657,477	721,485
Total assets		678,539	743,411
Equity			
Share capital	10	12,503	20,762
Share premium	10	150,278	282,873
Treasury shares	10	-	(140,854)
Retained earnings		165,771	196,805
Equity attributable to equity holders of the parent		328,552	359,586
Non-controlling interests		4,185	2,290
Total equity		332,737	361,876
Liabilities			
Bond loans	11	168,281	137,538
Secured bank loans	12	17,268	1,941
Share based payment liabilities	13	-	978
Deferred tax liability		9,430	11,114
Total non-current liabilities		194,979	151,571
Trade and other payables and accrued expenses		30,594	40,882
Bond loans	11	29,999	85,053
Secured bank loans	12	3,587	-
Loans from third parties		-	1,560
Advances received		83,334	100,607
Income tax payable		2,210	763
Provisions		1,099	1,099
Total current liabilities		150,823	229,964
Total liabilities		345,802	381,535
Total equity and liabilities		678,539	743,411

* In the Annual Financial Statements for the year ended 31 December 2016 advances for land in the amount of PLN 36.9 million were presented under trade and other receivables and prepayments.

The notes included on pages 29 to 49 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2017

Interim Condensed Consolidated Statement of Comprehensive Income

<i>PLN (thousands, except per share data and number of shares)</i>	<i>Note</i>	For the 9	For the 3	For the 9	For the 3
		months	months	months	months
		ended 30	ended 30	ended 30	ended 30
		September	September	September	September
		2017	2017	2016	2016
		(Reviewed) /	(Reviewed) /	(Reviewed) /	(Reviewed) /
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue from residential projects		175,854	33,438	201,219	90,889
Revenue from sale of services		4,778	1,007	1,346	448
Revenue from the sale of land		1,600	1,600	-	-
Revenue		182,232	36,045	202,565	91,337
Cost of sales of residential projects		(151,669)	(30,171)	(161,521)	(70,162)
Cost of sales of land		(1,222)	(1,222)	-	-
Gross profit		29,341	4,652	41,044	21,175
Selling and marketing expenses		(3,652)	(1,277)	(5,831)	(1,743)
Administrative expenses		(14,380)	(4,377)	(14,259)	(4,744)
Share of profit/(loss) in joint ventures		(447)	60	(903)	(271)
Other expenses		(3,694)	(941)	(2,341)	(681)
Other income		591	211	657	284
Result from operating activities		7,759	(1,672)	18,367	14,020
Finance income		667	164	1,523	460
Finance expense		(5,943)	(1,636)	(6,587)	(2,375)
Net finance income/(expense)		(5,276)	(1,472)	(5,064)	(1,915)
Profit/(loss) before taxation		2,483	(3,144)	13,303	12,105
Income tax benefit/(expense)	14	(461)	572	(1,861)	(1,767)
Profit/(loss) for the period		2,022	(2,572)	11,442	10,338
Other comprehensive income		-	-	-	-
Total comprehensive income/(expense) for the period, net of tax		2,022	(2,572)	11,442	10,338
Total profit/(loss) for the period attributable to:					
equity holders of the parent		127	(2,548)	10,825	10,102
non-controlling interests		1,895	(24)	617	236
Total profit/(loss) for the period, net of tax		2,022	(2,572)	11,442	10,338
Total comprehensive income/(expense) attributable to:					
equity holders of the parent		127	(2,548)	10,825	10,102
non-controlling interests		1,895	(24)	617	236
Total comprehensive income/(expense) for the period, net of tax		2,022	(2,572)	11,442	10,338
Weighted average number of ordinary shares (basic and diluted)		164,010,813	164,010,813	272,360,000	272,360,000
<i>In Polish Zlotys (PLN)</i>					
Net earnings/(loss) per share attributable to the equity holders of the parent (basic and diluted)		0.001	(0.016)	0.040	0.037

The notes included on pages 29 to 49 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2017

Interim Condensed Consolidated Statement of Changes in Equity

<i>In thousands of Polish Zlotys (PLN)</i>	Attributable to the Equity holders of parent					Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Retained earnings	Total		
Balance at 1 January 2017	20,762	282,873	(140,854)	196,805	359,586	2,290	361,876
Comprehensive income:							
Profit/(loss) for the nine months ended 30 September 2017	-	-	-	127	127	1,895	2,022
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income/(expense)	-	-	-	127	127	1,895	2,022
Redemption of treasury shares (see Note 10)	(8,259)	(132,595)	140,854	-	-	-	-
Dividend (see Note 19)	-	-	-	(31,161)	(31,161)	-	(31,161)
Balance at 30 September 2017 (Reviewed/ Unaudited)	12,503	150,278	-	165,771	328,552	4,185	332,737

<i>In thousands of Polish Zlotys (PLN)</i>	Attributable to the Equity holders of parent					Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Retained earnings	Total		
Balance at 1 January 2016	20,762	282,873	-	154,063	457,698	1,723	459,421
Comprehensive income:							
Profit/(loss) for the nine months ended 30 September 2016	-	-	-	10,825	10,825	617	11,442
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income/(expense)	-	-	-	10,825	10,825	617	11,442
Dividend	-	-	-	(21,789)	(21,789)	-	(21,789)
Balance at 30 September 2016 (Reviewed/ Unaudited)	20,762	282,873	-	143,099	446,734	2,340	449,074

The notes included on pages 29 to 49 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2017**Interim Condensed Consolidated Statement of Cash Flows**

	For the 9 months ended 30 September 2017 (Reviewed) / (unaudited)	For the 9 months ended 30 September 2016 (Reviewed/ Unaudited)
<i>In thousands of Polish Zlotys (PLN)</i>		
Cash flows from/(used in) operating activities		
Profit/(loss) for the period	2,022	11,442
Adjustments to reconcile profit for the period to net cash used in operating activities		
Depreciation	738	674
Write-down of inventory	3,314	-
Finance expense	5,943	6,587
Finance income	(667)	(1,523)
Profit on sale of property and equipment	(6)	(69)
Share of loss/(profit) from joint ventures	447	903
Share-based payment	13 (978)	105
Income tax expense/(benefit)	461	1,861
Subtotal	11,274	19,980
Decrease in receivables from former shareholder	9,900	-
Decrease/(increase) in inventory	64,604	(9,543)
Decrease/(increase) in advances for land	(30,500)	-
Decrease/(increase) in trade and other receivables and prepayments	36	5,452
Decrease/(increase) in other current financial assets	(6,640)	(6,522)
Increase/(decrease) in trade and other payables and accrued expenses	(10,288)	3,992
Increase/(decrease) in provision	-	(38)
Increase/(decrease) in advances received	(17,273)	28,406
Subtotal	21,113	41,727
Interest paid	(8,834)	(7,568)
Interest received	429	1,114
Income tax received/(paid)	(1,105)	(105)
Net cash from/(used in) operating activities	11,603	35,168

The notes included on pages 29 to 49 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2017**Interim Condensed Consolidated Statement of Cash Flows (cont'd)**

	For the 9 months ended 30 September 2017	For the 9 months ended 30 September 2016
	(Reviewed) / (unaudited)	(Reviewed/ Unaudited)
<i>In thousands of Polish Zlotys (PLN)</i>		
Cash flows from/(used in) investing activities		
Acquisition of property and equipment	(433)	(922)
Proceeds from loans granted to third parties	449	-
Net proceeds from loans granted to joint ventures	13,400	412
Short-term bank deposits – collateralized	-	34
Proceeds from sale of property and equipment	221	152
Net cash from/(used in) investing activities	13,637	(324)
Cash flows from/(used in) financing activities		
Proceeds from bank loans, net of bank charges	12 64,929	36,329
Repayment of bank loans	12 (46,568)	(92,032)
Proceeds from bond loans issued, net of issue costs	11 69,116	53,939
Repayment of bond loans	11 (95,500)	(17,800)
Repayment of loans from third parties	(1,557)	-
Dividends paid to equity holders of the parent	19 (31,161)	(21,789)
Net cash from/(used in) financing activities	(40,741)	(41,353)
Net change in cash and cash equivalents	(15,501)	(6,509)
Cash and cash equivalents at beginning of period	69,056	99,531
Cash and cash equivalents at end of period	53,555	93,022

The notes included on pages 29 to 49 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2017

Notes to the Interim Condensed Consolidated Financial Statements**Note 1 – General and principal activities**

Ronson Europe N.V. ('the Company'), a Dutch public company with its statutory seat in Rotterdam, the Netherlands, was incorporated on 18 June 2007. The registered office is located at Weena 210-212, Rotterdam, the Netherlands. The Company (together with its Polish subsidiaries 'the Group'), is active in the development and sale of units, primarily apartments, in multi-family residential real-estate projects to individual customers in Poland.

The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007.

As at 30 September 2017, following the redemption of 108,349,187 treasury shares held by the Company on 1 March 2017, 66.06% of the outstanding shares are controlled by Amos Luzon Development and Energy Group Ltd. ('A. Luzon Group'). The remaining 33.94% of the outstanding shares are held by Nationale Nederlanden Otwarty Fundusz Emerytalny holding 14.6% and by other investors including Metlife Otwarty Fundusz Emerytalny and Aviva OFE Aviva BZ WBK. The number of shares held by the investors is equal to the number of votes, as there are no privileged shares issued by the Company.

The Interim Condensed Consolidated Financial Statements of the Group have been prepared for the nine months ended 30 September 2017 and contain comparative data for the nine months ended 30 September 2016 and as at 31 December 2016. The Interim Condensed Consolidated Financial Statements of the Company for the nine months ended 30 September 2017 with all its comparative data have been reviewed by the Company's external auditors.

As at 30 September 2017, the Groups' market capitalization was below the value of net assets. Management took appropriate steps to review the accounts in respect if there is any additional impairment required and found no basis for it. The Management verified that the forecast margin potential in respect of the inventory is significantly positive.

The information about the companies from which the financial data are included in these Interim Condensed Consolidated Financial Statements and the extent of ownership and control are presented in Note 7.

The Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2017 were authorized for issuance by the Management Board on 6 November 2017.

Note 2 – Basis of preparation of Interim Condensed Consolidated Financial Statements

These Interim Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 "Interim financial reporting".

The Interim Condensed Consolidated Financial Statements do not include all the information and disclosures required in annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2016 prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union. At the date of authorization of these Interim Condensed Consolidated Financial Statements, in light of the nature of the Group's activities, the IFRSs applied by the Group are not different from the IFRSs endorsed by the European Union. IFRSs comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC"). The Consolidated Financial Statements of the Group for the year ended 31 December 2016 are available upon request from the Company's registered office at Weena 210-212, 3012 NJ Rotterdam, the Netherlands or at the Company's website: www.ronson.pl.

These Interim Condensed Consolidated Financial Statements have been prepared on the assumption that the Group is a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of its operations.

Further explanation and analyses on significant changes in financial position and performance of the Company during the nine months ended 30 September 2017 are included in the Directors' Report on pages 1 through 23.

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2017

Notes to the Interim Condensed Consolidated Financial Statements**Note 3 – Summary of significant accounting policies**

Except as described below, the accounting policies applied by the Company in these Interim Condensed Consolidated Financial Statements are the same as those applied by the Company in its consolidated financial statements for the year ended 31 December 2016.

The following standards and amendments became effective as of 1 January 2017:

- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* (issued on 19 January 2016) ;
- Amendments to IAS 7 *Disclosure Initiative* (issued on 29 January 2016);
- Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016) – Amendments to IFRS 12.

The above amendments and improvements to IFRSs do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The Group is aware of the fact that IFRS 15 is effective for financial years beginning on or after 1 January 2018, and has been already endorsed by the European Union. The Company has performed analysis of qualitative and quantitative impact of the standard on the Group's consolidated financial statements, particularly the criteria regarding Group's performance does not create the asset with an alternative use and the Group's enforceable right to payment for performance completed to date. As a result the Group decided that the criteria for transferring control of good over time is not met, therefore the performance obligation is satisfied in point in time.

Note 4 – The use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates.

In preparing these Interim Condensed Consolidated Financial Statements, the significant judgments made by the Management Board in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2016.

Note 5 – Functional and reporting currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in thousands of Polish Zloty ("PLN"), which is the Group's functional and presentation currency.

Transactions in currencies other than the functional currency are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in currencies other than the functional currency are recognized in the statement of comprehensive income.

Note 6 – Seasonality

The Group's activities are not of a seasonal nature. Therefore, the results presented by the Group do not fluctuate significantly during the year due to the seasonality.

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2017

Notes to the Interim Condensed Consolidated Financial Statements

Note 7 – Composition of the Group

The details of the Polish companies whose financial statements have been included in these Interim Consolidated Financial Statements, the year of incorporation and the percentage of ownership and voting rights directly held or indirectly by the Company as at 30 September 2017, are presented below and on the following page.

Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
		30 September 2017	31 December 2016
a. held directly by the Company :			
1. Ronson Development Management Sp. z o.o.	1999	100%	100%
2. Ronson Development 2000 Sp. z o.o.	2000	100%	100%
3. Ronson Development Warsaw Sp. z o.o.	2000	100%	100%
4. Ronson Development Investment Sp. z o.o.	2002	100%	100%
5. Ronson Development Metropol Sp. z o.o.	2002	100%	100%
6. Ronson Development Properties Sp. z o.o.	2002	100%	100%
7. Apartments Projekt Sp. z o.o.	2003	100%	100%
8. Ronson Development Enterprise Sp. z o.o.	2004	100%	100%
9. Ronson Development Company Sp. z o.o.	2005	100%	100%
10. Ronson Development Creations Sp. z o.o.	2005	100%	100%
11. Ronson Development Buildings Sp. z o.o.	2005	100%	100%
12. Ronson Development Structure Sp. z o.o.	2005	100%	100%
13. Ronson Development Poznań Sp. z o.o.	2005	100%	100%
14. E.E.E. Development Sp. z o.o.	2005	100%	100%
15. Ronson Development Innovation Sp. z o.o.	2006	100%	100%
16. Ronson Development Wrocław Sp. z o.o.	2006	100%	100%
17. Ronson Development Capital Sp. z o.o.	2006	100%	100%
18. Ronson Development Sp. z o.o.	2006	100%	100%
19. Ronson Development Construction Sp. z o.o.	2006	100%	100%
20. City 2015 Sp. z o.o.	2006	100%	100%
21. Ronson Development Village Sp. z o.o. (*)	2007	100%	100%
22. Ronson Development Conception Sp. z o.o.	2007	100%	100%
23. Ronson Development Architecture Sp. z o.o.	2007	100%	100%
24. Ronson Development Skyline Sp. z o.o.	2007	100%	100%
25. Continental Development Sp. z o.o.	2007	100%	100%
26. Ronson Development Universal Sp. z o.o. (*)	2007	100%	100%
27. Ronson Development Retreat Sp. z o.o.	2007	100%	100%
28. Ronson Development South Sp. z o.o.	2007	100%	100%
29. Ronson Development Partner 5 Sp. z o.o.	2007	100%	100%
30. Ronson Development Partner 4 Sp. z o.o.	2007	100%	100%
31. Ronson Development North Sp. z o.o.	2007	100%	100%
32. Ronson Development Providence Sp. z o.o.	2007	100%	100%
33. Ronson Development Finco Sp. z o.o.	2009	100%	100%
34. Ronson Development Partner 2 Sp. z o.o.	2010	100%	100%
35. Ronson Development Skyline 2010 Sp. z o.o. w likwidacji	2010	100%	100%
36. Ronson Development Partner 3 Sp. z o.o.	2012	100%	100%
b. held indirectly by the Company:			
37. AGRT Sp. z o.o.	2007	100%	100%
38. Ronson Development Partner 4 Sp. z o.o.	2007	100%	100%
39. Ronson Development Sp z o.o. - Estate Sp.k.	2007	100%	100%
40. Ronson Development Sp. z o.o. - Home Sp.k.	2007	100%	100%
41. Ronson Development Sp z o.o. - Horizon Sp.k.	2007	100%	100%
42. Ronson Development Partner 3 Sp. z o.o. - Sakura Sp.k.	2007	100%	100%
43. Ronson Development Sp z o.o. -Town Sp.k.	2007	100%	100%
44. Destiny Sp. z o.o.	2007	100%	100%
45. Ronson Development Millenium Sp. z o.o.	2007	100%	100%
46. Ronson Development Sp. z o.o. - EEE 2011 Sp.k.	2009	100%	100%
47. Ronson Development Sp. z o.o. - Apartments 2011 Sp.k.	2009	100%	100%

(*) The Company has the power to govern the financial and operating policies of this entity and to obtain benefits from its activities, whereas Kancelaria Radcy Prawnego Jarosław Zubrzycki holds the legal title to the shares of this entity.

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2017

Notes to the Interim Condensed Consolidated Financial Statements

Note 7 – Composition of the Group (cont'd)

Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
		30 September 2017	31 December 2016
b. held indirectly by the Company (cont'd):			
48. Ronson Development Sp. z o.o. - Idea Sp.k.	2009	100%	100%
49. Ronson Development Partner 2 Sp. z o.o. -Destiny 2011 Sp.k.	2009	100%	100%
50. Ronson Development Partner 2 Sp. z o.o. - Enterprise 2011 Sp.k.	2009	100%	100%
51. Ronson Development Partner 2 Sp. z o.o. - Retreat 2011 Sp.k.	2009	100%	100%
52. Ronson Development Partner 5 Sp. z o.o. - Vitalia Sp.k.	2009	100%	100%
53. Ronson Development Sp. z o.o. - 2011 Sp.k.	2009	100%	100%
54. Ronson Development Sp. z o.o. - Gemini 2 Sp.k.	2009	100%	100%
55. Ronson Development Sp. z o.o. - Verdis Sp.k.	2009	100%	100%
56. Ronson Espresso Sp. z o.o.	2006	82%	82%
57. Ronson Development Apartments 2010 Sp. z o.o.	2010	100%	100%
58. RD 2010 Sp. z o.o.	2010	100%	100%
59. Retreat Sp. z o.o.	2010	100%	100%
60. Enterprise 2010 Sp. z o.o.	2010	100%	100%
61. Wrocław 2010 Sp. z o.o.	2010	100%	100%
62. E.E.E. Development 2010 Sp. z o.o.	2010	100%	100%
63. Ronson Development Nautica 2010 Sp. z o.o.	2010	100%	100%
64. Gemini 2010 Sp. z o.o.	2010	100%	100%
65. Ronson Development Sp. z o.o. - Naturalis Sp.k.	2011	100%	100%
66. Ronson Development Sp. z o.o. - Impressio Sp.k.	2011	100%	100%
67. Ronson Development Sp. z o.o. - Continental 2011 Sp.k.	2011	100%	100%
68. Ronson Development Sp. z o.o. - Providence 2011 Sp.k.	2011	100%	100%
69. Ronson Development Partner 2 Sp. z o.o. - Capital 2011 Sp. k.	2011	100%	100%
70. Ronson Development Sp. z o.o. - Architecture 2011 Sp.k.	2011	100%	100%
71. Ronson Development Sp. z o.o. - City 1 Sp.k.	2012	100%	100%
72. Ronson Development Sp. z o.o. - City 2 Sp.k.	2012	100%	100%
73. Ronson Development Sp. z o.o. - City 3 Sp.k.	2012	100%	100%
74. Ronson Development Sp. z o.o. - City 4 Sp.k.	2016	100%	100%
75. Ronson Development Sp. z o.o. - City 5 Sp.k.	2016	100%	100%
76. Ronson Development Sp. z o.o. - Projekt 1 Sp.k.	2017	100%	n.a.
77. Ronson Development Sp. z o.o. - Projekt 2 Sp.k.	2017	100%	n.a.
78. Ronson Development Sp. z o.o. - Projekt 3 Sp.k.	2017	100%	n.a.
79. Ronson Development Sp. z o.o. - Projekt 4 Sp.k.	2017	100%	n.a.
80. Ronson Development Sp. z o.o. - Projekt 5 Sp.k.	2017	100%	n.a.
81. Ronson Development Sp. z o.o. - Projekt 6 Sp.k.	2017	100%	n.a.
82. Ronson Development Sp. z o.o. - Projekt 7 Sp.k.	2017	100%	n.a.
83. Ronson Development Sp. z o.o. - Projekt 8 Sp.k.	2017	100%	n.a.
84. Ursus 2017 Sp. z o.o.	2017	100%	n.a.
85. Projekt City Sp. z o.o.	2017	100%	n.a.

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2017

Notes to the Interim Condensed Consolidated Financial Statements

Note 8 – Segment reporting

The Group's operating segments are defined as separate entities developing particular residential projects, which for reporting purposes were aggregated. The aggregation for reporting purpose is based on geographical locations (Warsaw, Poznań, Wrocław and Szczecin) and type of activity (development of apartments, development of houses). Moreover, for two particular assets the reporting was based on type of income: rental income from investment property. The segment reporting method requires also the Company to present separately joint venture within Warsaw segment.

According to the Management Board's assessment, the operating segments identified have similar economic characteristics. Aggregation based on the type of development within the geographical location has been applied since primarily the location and the type of development determine the average margin that can be realized on each project and the project's risk factors. Considering the fact that the production process for apartments is different from that for houses and considering the fact that the characteristics of customers buying apartments slightly differ from those of customers interested in buying houses, aggregation by type of development within the geographical location has been used for segment reporting and disclosure purposes.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated indirectly based on reasonable criteria. The unallocated result (loss) comprises mainly head office expenses. Unallocated assets comprise mainly unallocated cash and cash equivalents and income tax assets. Unallocated liabilities comprise mainly income tax liabilities and bond loans.

Data presented in the table below are aggregated by type of development within the geographical location:

<i>In thousands of Polish Zlotys (PLN)</i>													As at 30 September 2017	
	Warsaw				Poznań		Wrocław		Szczecin		Unallocated	IFRS adjustments	Total	
	Apartments	Houses	Joint venture	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses				
Segment assets	331,330	31,778	142,160	8,743	100,830	-	81,484	-	71,863	7,766	-	(139,209)	636,745	
Unallocated assets	-	-	-	-	-	-	-	-	-	-	41,794	-	41,794	
Total assets	331,330	31,778	142,160	8,743	100,830	-	81,484	-	71,863	7,766	41,794	(139,209)	678,539	
Segment liabilities	72,077	685	145,936	-	28,628	-	18,989	-	14,860	-	-	(146,085)	135,090	
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	210,712	-	210,712	
Total liabilities	72,077	685	145,936	-	28,628	-	18,989	-	14,860	-	210,712	(146,085)	345,802	

<i>In thousands of Polish Zlotys (PLN)</i>													As at 31 December 2016	
	Warsaw				Poznań		Wrocław		Szczecin		Unallocated	IFRS adjustments	Total	
	Apartments	Houses	Joint venture	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses				
Segment assets	334,363	31,762	110,712	8,743	137,117	-	76,271	328	68,313	7,725	-	(94,062)	681,272	
Unallocated assets	-	-	-	-	-	-	-	-	-	-	62,139	-	62,139	
Total assets	334,363	31,762	110,712	8,743	137,117	-	76,271	328	68,313	7,725	62,139	(94,062)	743,411	
Segment liabilities	79,117	819	99,503	-	49,051	-	6,188	-	5,278	-	-	(99,503)	140,453	
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	241,082	-	241,082	
Total liabilities	79,117	819	99,503	-	49,051	-	6,188	-	5,278	-	241,082	(99,503)	381,535	

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2017

Notes to the Interim Condensed Consolidated Financial Statements

Note 8 - Segment reporting (cont'd)

In thousands of Polish Zlotys (PLN)

For the nine months ended 30 September 2017

	Warsaw				Poznań		Wrocław		Szczecin		Unallocated	IFRS adjustments	Total
	Apartments	Houses	Joint venture	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses			
Revenue	105,827	-	13,109	614	55,768	-	16,373	-	3,650	-	-	(13,109)	182,232
Segment result	21,949	(36)	2,651	366	1,398	-	2,194	-	(3,011)	(3)	-	(3,099)	22,409
Unallocated result	-	-	-	-	-	-	-	-	-	-	(14,650)	-	(14,650)
Result from operating activities	21,949	(36)	2,651	366	1,398	-	2,194	-	(3,011)	(3)	(14,650)	(3,099)	7,759
Net finance income/(expenses)	82	(4)	65	-	(7)	-	4	-	(8)	-	(5,343)	(65)	(5,276)
Profit/(loss) before tax	22,031	(40)	2,716	366	1,391	-	2,198	-	(3,019)	(3)	(19,993)	(3,164)	2,483
Income tax expenses	-	-	-	-	-	-	-	-	-	-	-	-	(461)
Profit/(loss) for the period													2,022
Capital expenditure	-	-	-	-	-	-	-	-	-	-	433	-	433

In thousands of Polish Zlotys (PLN)

For the nine months ended 30 September 2016

	Warsaw				Poznań		Wrocław		Szczecin		Unallocated	IFRS adjustments	Total
	Apartments	Houses	Joint venture	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses			
Revenue	147,520	1,331	-	685	29,006	-	9,557	-	14,466	-	-	-	202,565
Segment result	34,819	(64)	(748)	437	(629)	-	(898)	(3)	(71)	(4)	-	(155)	32,684
Unallocated result	-	-	-	-	-	-	-	-	-	-	(14,317)	-	(14,317)
Result from operating activities	34,819	(64)	(748)	437	(629)	-	(898)	(3)	(71)	(4)	(14,317)	(155)	18,367
Net finance income/(expenses)	(17)	(2)	18	-	38	-	81	-	(1)	(1)	(5,162)	(18)	(5,064)
Profit/(loss) before tax	34,802	(66)	(730)	437	(591)	-	(817)	(3)	(72)	(5)	(19,479)	(173)	13,303
Income tax expenses	-	-	-	-	-	-	-	-	-	-	-	-	(1,861)
Profit/(loss) for the period													11,442
Capital expenditure	-	730	-	-	-	-	38	-	-	-	154	-	922

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2017

Notes to the Interim Condensed Consolidated Financial Statements

Note 8 - Segment reporting (cont'd)

In thousands of Polish Zlotys (PLN)

For the three months ended 30 September 2017

	Warsaw				Poznań		Wroclaw		Szczecin		Unallocated	IFRS adjustments	Total
	Apartments	Houses	Joint venture	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses			
Revenue	14,742	-	13,109	205	6,439	-	13,890	-	769	-	-	(13,109)	36,045
Segment result	3,425	(11)	3,713	133	(280)	-	2,642	-	(2,870)	(1)	-	(3,654)	3,097
Unallocated result	-	-	-	-	-	-	-	-	-	-	(4,769)	-	(4,769)
Result from operating activities	3,425	(11)	3,713	133	(280)	-	2,642	-	(2,870)	(1)	(4,769)	(3,654)	(1,672)
Net finance income/ (expenses)	3	(1)	21	-	2	-	1	-	(1)	-	(1,476)	(21)	(1,472)
Profit/(loss) before tax	3,428	(12)	3,734	133	(278)	-	2,643	-	(2,871)	(1)	(6,245)	(3,675)	(3,144)
Income tax benefit	-	-	-	-	-	-	-	-	-	-	-	-	572
Profit/(loss) for the period													(2,572)
Capital expenditure	-	-	-	-	-	-	-	-	-	-	359	-	359

In thousands of Polish Zlotys (PLN)

For the three months ended 30 September 2016

	Warsaw				Poznań		Wroclaw		Szczecin		Unallocated	IFRS adjustments	Total
	Apartments	Houses	Joint venture	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses			
Revenue	70,637	-	-	230	4,367	-	1,637	-	14,466	-	-	-	91,337
Segment result	19,325	(20)	(185)	140	(279)	-	(290)	(1)	74	(1)	-	(86)	18,677
Unallocated result	-	-	-	-	-	-	-	-	-	-	(4,657)	-	(4,657)
Result from operating activities	19,325	(20)	(185)	140	(279)	-	(290)	(1)	74	(1)	(4,657)	(86)	14,020
Net finance income/ (expenses)	23	-	18	-	6	-	35	-	8	(1)	(1,986)	(4)	(1,915)
Profit/(loss) before tax	19,348	(20)	(181)	140	(273)	-	(255)	(1)	82	(2)	(6,643)	(90)	12,105
Income tax expenses	-	-	-	-	-	-	-	-	-	-	-	-	(1,767)
Profit/(loss) for the period													10,338
Capital expenditure	-	730	-	-	-	-	38	-	-	-	154	-	922

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2017

Notes to the Interim Condensed Consolidated Financial Statements

Note 9 – Inventory

Movements in Inventory during the nine months ended 30 September 2017 were as follows:

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2017	Transferred to Trade and other receivables and prepayments	Transferred to finished units	Additions	Closing balance 30 September 2017
Land and related expense	260,851	(2,315)	(4,774)	1,364	255,126
Construction costs	51,783	-	(25,584)	78,778	104,977
Planning and permits	14,437	-	(1,127)	3,750	17,060
Borrowing costs ⁽¹⁾	41,142	(151)	(1,489)	5,514	45,016
Other	2,805	(5)	(433)	1,193	3,560
Work in progress	371,018	(2,471)	(33,407)	90,599	425,739

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2017	Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 30 September 2017
Finished goods	215,582	-	(149,483)	99,506

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2017	Transferred to Trade and other receivables and prepayments	Revaluation write-down recognized in statement of comprehensive income		Closing balance 30 September 2017
			Increase	Utilization	
Write-down	(12,502)	2,269	(3,314)	198	(13,349)
Inventory, valued at lower of - cost and net realisable value	574,098				511,896

(1) Borrowing costs are capitalized to the value of inventory with 6.14% average effective capitalization interest rate.

During the nine months ended 30 September 2017, a plot of land with a carrying amount of PLN 202 thousand has been transferred from Inventory to another asset category under Trade and other receivables and prepayments, as the Company has currently no plans of using this plot of land for development.

During the reporting period the Group performed an inventory review with regard to its valuation to net realizable value based on the most reliable evidence available to the Group. As a result, during the nine months ended 30 September 2017 and the year ended 31 December 2016 and the nine months ended 30 September 2016, the Group made a write-down adjustment on inventory of PLN 3,314 thousand and PLN 2,269 thousand and nil, respectively, which is included as part of cost of sales in the Consolidated Statement of Comprehensive Income. The Group examined a possible write-down on inventory for each project separately, according to the projection of revenues net of cost of sales.

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2017

Notes to the Interim Condensed Consolidated Financial Statements

Note 9 – Inventory (cont'd)

Movements in Inventory during the year ended 31 December 2016 were as follows:

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2016	Sale of project to (former) shareholder ⁽¹⁾	Transferred to finished units	Additions	Closing balance 31 December 2016
Land and related expense	342,699	(88,549)	(61,644)	68,345	260,851
Construction costs	154,067	(18,755)	(232,849)	149,320	51,783
Planning and permits	22,629	(2,513)	(11,037)	5,358	14,437
Borrowing costs ⁽²⁾	65,533	(2,567)	(28,855)	7,031	41,142
Other	5,261	(1,221)	(4,481)	3,246	2,805
Work in progress	590,189	(113,605)	(338,866)	233,300	371,018

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2016	Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 31 December 2016	
Finished goods	122,511	-	338,866	(245,795)	215,582

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2016	Revaluation write-down recognized in statement of comprehensive income		Closing balance 31 December 2016
		Increase	Utilization	
Write-down	(11,413)	(2,269)	1,180	(12,502)
Total inventories at the lower of cost or net realizable value	701,287			574,098

(1) See Note 39 to the Consolidated Financial Statements for the year ended 31 December 2016.

(2) Borrowing costs are capitalized to the value of inventory with 6.51% average effective capitalization interest rate.

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2017**Notes to the Interim Condensed Consolidated Financial Statements****Note 9 – Inventory (cont'd)**

Movements in Inventory during the nine months ended 30 September 2016 were as follows:

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2016	Transferred to finished goods	Additions	Closing balance 30 September 2016
Land and related expense	342,699	(32,277)	56,672	367,094
Construction costs	154,067	(122,492)	109,948	141,523
Planning and permits	22,629	(5,906)	4,288	21,011
Borrowing costs ⁽¹⁾	65,533	(14,371)	5,321	56,483
Other	5,261	(2,512)	2,344	5,093
Work in progress	590,189	(177,558)	178,573	591,204

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2016	Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 30 September 2016
Finished goods	122,511	177,558	(161,029)	139,040

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2016	Revaluation write down recognized in statement of comprehensive income		Closing balance 30 September 2016
		Increase	Utilization	
Write-down	(11,413)	-	1,018	(10,395)
Total inventories at the lower of cost or net realizable value	701,287			719,849

(1) Borrowing costs are capitalized to the value of inventory with 6.64% average effective capitalization interest rate.

Note 10 – Share capital

The number of issued and outstanding ordinary shares as at 30 September 2017 amounts to 164,010,813 (as at 31 December 2016: 272,360,000 shares). On 1 March 2017, 108,349,187 shares which the Company held in treasury since 23 December 2016, were redeemed. The redeemed shares were purchased by the Company from one of its shareholders at the time. This transaction is disclosed in the Company's Annual Consolidated Financial Statements for the year ended 31 December 2016.

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2017**Notes to the Interim Condensed Consolidated Financial Statements****Note 11 – Bond loans**

The table below presents the movement in Bond loans during the nine months ended 30 September 2017, during the year ended 31 December 2016 and during the nine months ended 30 September 2016:

<i>In thousands of Polish Zlotys (PLN)</i>	For the nine months ended 30 September 2017 (Reviewed/ Unaudited)	For the year ended 31 December 2016 (Audited)	For the nine months ended 30 September 2016 (Reviewed/ Unaudited)
Opening balance	222,591	190,297	190,297
Repayment of bond loans	(95,500)	(23,684)	(17,800)
Proceeds from bond loans	70,000	55,000	55,000
Issue cost	(884)	(1,061)	(1,061)
Issue cost amortization	942	1,303	977
Accrued interest	8,695	11,861	8,751
Interest repayment	(7,564)	(11,125)	(6,245)
Total closing balance	198,280	222,591	229,919
Closing balance includes:			
Current liabilities	29,999	85,053	86,682
Non-current liabilities	168,281	137,538	143,237
Total closing balance	198,280	222,591	229,919

New Bond loans issued during the nine months ended 30 September 2017:

On 24 May 2017, the Company issued 50,000 series R bonds with a total nominal value of PLN 50,000 thousand. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series R bonds shall be redeemed on 24 May 2021. The bonds bear interest at a variable rate based on the WIBOR rate for six-month deposits increased by a margin of 2.85%. Interest is payable semi-annually in May and November until redemption date.

The series R Bonds are secured with a joint mortgage established by the subsidiaries of the Company up to PLN 75,000 thousand.

On 19 June 2017, the Company issued 20,000 series S bonds with a total nominal value of PLN 20,000 thousand. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series S bonds shall be redeemed on 19 June 2021. The bonds bear interest at a variable rate based on the WIBOR rate for six-month deposits increased by a margin of 3.40%. Interest is payable semi-annually in June and December until redemption date.

The series S bonds are not secured and will not be listed.

Bond loans repaid during the nine months ended 30 September 2017:

On 14 June 2017 at the date of their maturity, the Company repaid all outstanding bonds series C (83,500 bonds with total nominal value of PLN 83,500 thousand). Following this repayment, the total number of outstanding bonds series C amounted to nil.

On 19 June 2017 the Company repaid all outstanding bonds series G (120,000 bonds with total nominal value of PLN 12,000 thousand). Following this repayment, the total number of outstanding bonds series G amounted to nil.

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2017**Notes to the Interim Condensed Consolidated Financial Statements****Note 11 – Bond loans (cont'd)****Bond loans issued before 31 December 2016:**

The maturity dates and the conditions of the Bonds loans series F, H, I, J, K, L, M, N, O, P and Q have been presented in the annual consolidated financial statements for the year ended 31 December 2016.

The series H, I, J, K, L, M, N, O, P and Q bonds are not secured. The series F bonds are secured by a mortgage up to PLN 42,000 thousand established by Company's Polish subsidiaries.

Financial ratio covenants:**Series F and H:**

Based on the conditions of bonds F and H in each reporting period the Company shall test the ratio of Net debt to Equity (hereinafter "Net Indebtedness Ratio"). The Ratio shall not exceed 80% on the Check Date.

The Net Indebtedness Ratio is Non-GAAP Financial Measure and is calculated according to formulas provided below:

Net debt - shall mean the total consolidated balance sheet value of all interest-bearing liabilities (as well as payment guarantees) less the consolidated value of cash and cash equivalents.

Equity - shall mean the consolidated balance sheet value of the equity.

Check date – last day of each calendar quarter.

The table presenting the Net Indebtedness Ratio as at the end of the Reporting period:

	As at 30 September 2017 (Reviewed/ Unaudited)
<i>In thousands of Polish Zlotys (PLN)</i>	
Net debt	165,653
Equity	332,737
Net Indebtedness Ratio	49.8%

Series I, J, K, L, M, N, O, P, Q:

Based on the conditions of bonds I, J, K, L, M, N, O, P, Q in each reporting period the Company shall test the ratio of Net debt to Equity (hereinafter "Net Indebtedness Ratio"). The Ratio shall not exceed 80% on the Check Date.

The *Net Indebtedness Ratio* is Non-GAAP Financial Measure and is calculated according to formulas provided below:

Net debt - shall mean the total consolidated balance sheet value of all interest-bearing liabilities (as well as payment guarantees) less the consolidated value of cash and cash equivalents and less cash paid by Company's clients blocked temporarily on the escrow accounts servicing ongoing projects that are under construction (presented in the Company's consolidated balance sheet under Other current financial assets).

Equity - shall mean the consolidated balance sheet value of the equity.

Check date – last day of each calendar quarter.

The table presenting the Net Indebtedness Ratio as at the end of the Reporting period:

	As at 30 September 2017 (Reviewed/ Unaudited)
<i>In thousands of Polish Zlotys (PLN)</i>	
Net debt	154,533
Equity	332,737
Net Indebtedness Ratio	46.4%

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2017**Notes to the Interim Condensed Consolidated Financial Statements****Note 11 – Bond loans (cont'd)****Financial ratio covenants (cont'd):***Series R and S:*

Based on the conditions of bonds R and S in each reporting period the Company shall test the ratio of Net debt to Equity (hereinafter “Net Indebtedness Ratio”). The Ratio shall not exceed 80% on the Check Date.

The Net Indebtedness Ratio is Non-GAAP Financial Measure and is calculated according to formulas provided below:

Net debt - shall mean the total consolidated balance sheet value of all interest-bearing liabilities (as well as payment guarantees) less the consolidated value of cash and cash equivalents and less cash paid by Company’s clients blocked temporarily on the escrow accounts servicing ongoing projects that are under construction (presented in the Company’s consolidated balance sheet under Other current financial assets; the limit is PLN 40 million).

Equity - shall mean the consolidated balance sheet value of the equity attributable to equity holders of the parent, less the value of the intangible assets (excluding any financial assets and receivables), including specifically (i) the intangible and legal assets, goodwill and (ii) the assets constituting deferred income tax decreased by the value of the provisions created on account of the deferred income tax, however, assuming that the balance of those two values is positive. If the balance of assets and provisions on account of deferred income tax is negative, the adjustment referred to in item (ii) above shall be zero.

Check date – last day of each calendar quarter.

The table presenting the Net Indebtedness Ratio as at the end of the Reporting period:

<i>In thousands of Polish Zlotys (PLN)</i>	As at 30 September 2017 (Reviewed/ Unaudited)
Net debt	154,533
Equity	328,552
Net Indebtedness Ratio	47.0%

In addition to the above, based on the conditions of bonds S, in each reporting period the Company shall test the Net debt to Inventory Ratio (hereinafter “Net Debt to Inventory Ratio”). The Ratio shall not exceed 60% on the Check Date.

The Net Debt to Inventory Ratio is Non-GAAP Financial Measure and is calculated according to formulas provided below:

Net debt - shall mean the total consolidated balance sheet value of all interest-bearing liabilities (as well as payment guarantees) less the consolidated value of cash and cash equivalents and cash paid by Company’s clients blocked temporarily on the escrow accounts servicing ongoing projects that are under construction (presented in the Company’s consolidated balance sheet under Other current financial assets; the limit is PLN 40 million).

Inventory - shall mean the consolidated balance sheet value of the inventory of the Company less advances received from the customers.

Check date – last day of each calendar quarter.

The table presenting the Net Debt to Inventory Ratio as at the end of the Reporting period:

<i>In thousands of Polish Zlotys (PLN)</i>	As at 30 September 2017 (Reviewed/ Unaudited)
Net debt	154,533
Inventory	428,562
Net Debt to Inventory Ratio	36.1%

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2017**Notes to the Interim Condensed Consolidated Financial Statements****Note 11 – Bond loans (cont'd)****Other covenants:***Series R and S:*

Based on the conditions of bonds R and S transactions with related-parties (shareholders holding more than 25% of the shares in the Company “within the meaning of IAS 24” or with related parties “including with entities controlling the Company whether jointly or individually, whether directly or indirectly” or with their subsidiaries which are not members of the Group) shall not exceed the aggregate amount of PLN 1 million during any given calendar year.

During the 9 months ended 30 September 2017, the consulting fees related to A. Luzon Group (including reimbursement of travel and out of pocket expenses) amounted to PLN 630 thousand.

Note 12 – Secured bank loans

The following non-current and current Secured bank loans were issued and repaid during the nine months ended 30 September 2017, during the year ended 31 December 2016 and during the nine months ended 30 September 2016:

<i>In thousands of Polish Zlotys (PLN)</i>	For the nine months ended 30 September 2017 (Reviewed/ Unaudited)	For the year ended 31 December 2016 (Audited)	For the nine months ended 30 September 2016 (Reviewed/ Unaudited)
Opening balance	1,941	56,902	56,902
New bank loan drawdown	65,421	45,134	37,318
Bank loans repayments	(46,568)	(100,024)	(92,032)
Bank charges	(492)	(1,331)	(989)
Bank charges amortization	543	928	734
Accrued interest/(interest repayment) on bank loans, net	10	13	(5)
Bank charges allocated to Nova Królikarnia ⁽¹⁾	-	319	-
Total closing balance	20,855	1,941	1,928
Closing balance includes:			
Current liabilities	3,587	-	-
Non-current liabilities	17,268	1,941	1,928
Total closing balance	20,855	1,941	1,928

(1) See Note 39 to the Consolidated Financial Statements for the year ended 31 December 2016

The maturity dates of the loans have been presented in the Consolidated Financial Statements for the year ended 31 December 2016. For more details, see Note 19 Events during the period (Bank Loans) and Note 20 Subsequent events (Bank Loans).

As at 30 September 2017, 31 December 2016 and 30 September 2016, the Company has not breached any loan covenant, which would expose the Company for risk of obligatory and immediate repayment of any loan and has been able to extend all expiring loan facilities.

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2017**Notes to the Interim Condensed Consolidated Financial Statements****Note 13 – Share based payments under the Company’s employee incentive plan**

In February 2014, the Company implemented a long-term incentive plan (the ‘Plan’), addressed to selected key employees, which is based on the price performance of the Company’s shares (the “Phantom Stock Plan”). On 24 March 2016, the Company executed annexes to the Phantom Stock Plan as approved by the Remuneration Committee of the Company’s Supervisory Board. The Phantom Stock Plan including annexes did not assume any new issue of shares and which did not result in any new shares supply. The key assumptions and the settlement mechanism are presented in the consolidated financial statements for the year ended 31 December 2016.

Out of the total 3,381,250 options granted, 1,187,500 options have been allocated to Tomasz Łapiński, and 843,750 options to Andrzej Gutowski while the remaining 1,350,000 options have been allocated to other key employees of the Company.

During March 2017, all 3,381,250 options were exercised for PLN 0.39 per option, for the total amount of PLN 1.3 million. As at 31 December 2016, the estimated fair value of these options amounted to PLN 1.0 million and was included in Company’s consolidated balance sheet under Share based payment liabilities. The movement between the estimated liability per 31 December 2016 and the actual payment in March 2017, amounting to PLN 0.3 million was recognized in employee benefits expense (under position of administrative expenses) during the nine months ended 30 September 2017.

Note 14 – Income tax

	For the 9 months ended 30 September 2017 (Reviewed/ Unaudited)	For the 3 months ended 30 September 2017 (Reviewed/ Unaudited)	For the 9 months ended 30 September 2016 (Reviewed/ Unaudited)	For the 3 months ended 30 September 2016 (Reviewed/ Unaudited)
<i>In thousands of Polish Zlotys (PLN)</i>				
Current tax expense/(benefit)	2,545	905	174	40
Deferred tax expense/(benefit)				
Origination and reversal of temporary differences	(3,178)	(883)	3,001	2,409
Expense/(benefit) of tax losses recognized	1,094	(594)	(1,314)	(682)
Total deferred tax expense/(benefit)	(2,084)	(1,477)	1,687	1,727
Total income tax expense/(benefit)	461	(572)	1,861	1,767

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2017**Notes to the Interim Condensed Consolidated Financial Statements****Note 15 – Commitments and contingencies****(i) Investment commitments:**

The amounts in the table below present uncharged investment commitments of the Group in respect of construction services to be rendered by the general contractors:

<i>In thousands of Polish Zlotys (PLN)</i>	As at 30 September 2017 (Reviewed/ Unaudited)	As at 31 December 2016 (Audited)
City Link III	80,226	-
Miasto Moje II	28,548	-
Marina Miasto	24,591	-
Miasto Moje I	12,498	33,114
Espresso IV	10,729	23,301
Młody Grunwald III	2,100	15,450
Panoramika III	3,120	12,171
Chilli IV	1,298	6,490
Vitalia I	-	10,319
Total	163,110	100,845

(ii) Unutilized construction loans:

The table below presents the list of the construction loan facilities, which the Company arranged for in conjunction with entering into loan agreements with the banks in order to secure financing of the construction and other outstanding costs of the ongoing projects. The amounts presented in the table below include the unutilized part of the construction loans available to the Company:

<i>In thousands of Polish Zlotys (PLN)</i>	As at 30 September 2017 (Reviewed/ Unaudited)	As at 31 December 2016 (Audited)
Panoramika III	9,705	-
Miasto Moje I	20,980	36,252
Espresso IV	-	31,391
Młody Grunwald III	10,178	23,130
Vitalia I	4,816	27,949
City Link III	101,163	-
Total	146,842	118,722

(iii) Contingent commitments:

The Company provided financial support to Ronson IS (JV in which the Company holds 50%) in its performance of the project (City Link) to the amount equal to value of secured receivables (i.e. the Bank's receivables with respect to Ronson IS under the Loan Facility Agreement between Ronson IS sp. z o.o. sp.k. and Bank Polska Kasa Opieki S.A. assuming a loan facility in total amount of no more than PLN 42.7 million). As at 30 September 2017, the balance of the loan supported by the mentioned guarantee amounts to PLN 73 thousands.

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2017**Notes to the Interim Condensed Consolidated Financial Statements****Note 15 – Commitments and contingencies (cont'd)****(iv) Contracted proceeds not yet received:**

The table below presents amounts to be received from the customers having bought apartments from the Group and which are based on the value of the sale and purchase agreements signed with the clients until 30 September 2017 after deduction of payments received at the reporting date (such payments being presented in the Interim Consolidated Statement of Financial Position as Advances received):

<i>In thousands of Polish Zlotys (PLN)</i>	As at 30 September 2017 (Reviewed/ Unaudited)	As at 31 December 2016 (Audited)
Moko	6,376	6,161
Tamka	-	2,662
Kamienica Jeżyce	33	8,112
Espresso I, II & III	496	8,372
Sakura	419	790
Verdis	1,292	2,035
Impressio	1,453	2,276
Młody Grunwald I & II	1,706	22
Młody Grunwald III	10,227	8,520
Panoramika II	362	733
Panoramika III	5,624	2,234
Espresso IV	26,878	18,475
Naturalis I, II & III	482	1,404
Vitalia I	5,578	7,156
Chilli IV	613	1,173
Miasto Moje I	22,134	10,672
Marina Miasto	8,583	-
City Link III	23,004	-
Other (old) projects	785	811
Total	116,045	81,608

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2017

Notes to the Interim Condensed Consolidated Financial Statements**Note 16 – Financial risk management****(i) Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including real estate market risk and fair value interest rate risk), credit risk and liquidity risk. The Interim Condensed Consolidated Financial Statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the group's annual financial statements as at 31 December 2016 (Note 40). There have been no changes in the risk management department since year end or in any risk management policies.

(ii) Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities, except for the assumption of new loans and redemption of existing loans during the nine months ended 30 September 2017 as described in Notes 11 and 12.

(iii) Market (price) risk

The Group's exposure to marketable and non-marketable securities price risk did not exist because the Group had not invested in securities during the nine months ended 30 September 2017.

(iv) Fair value estimation

The Investment property is valued at fair value determined by the Management.

During the nine months ended 30 September 2017 there were no significant changes in the business or economic circumstances that affect the fair value of the group's financial assets, investment property and financial liabilities.

(v) Interest rate risk

All the loans and borrowings of the Group are bearing variable interest rate, which creates an exposure to a risk of changes in cash flows due to changes in interest rates.

Note 17 – Related party transactions

There were no transactions and balances with related parties during nine months ended 30 September 2017 other than remuneration of Management Board, share based payment (see Note 13), loans granted to related parties, an amount due from a former shareholder (PLN 9.9 million) which the Company has received during nine months ended 30 September 2017 and the reimbursement of audit review costs. In addition to the above transactions, that were already disclosed in the 2016 annual accounts, the Company entered also into an agreement with its major shareholder covering costs of remuneration of two members of the Board of Managing Directors and of Chairman of the Board of Supervisory Directors (for total monthly amount of PLN 70 thousand and covering travel and out of pocket expenses).

During the period ended 30 September 2017, the Group sold one residential unit including one storage to Mr Andrzej Gutowski for a total net amount (excluding VAT) of PLN 854 thousand. This transaction was executed at arm's length and were in adherence to the Group's policy in respect of related-party transactions.

Note 18 – Impairment losses and provisions

During the nine months ended 30 September 2017 and the year ended 31 December 2016 and the nine months ended 30 September 2016, the Group made a write-down adjustment on inventory of PLN 3,314 thousand and PLN 2,269 thousand and nil, respectively, which is included as part of cost of sales in the Consolidated Statement of Comprehensive Income.

Note 19 – Events during the period**Bonds loans**

On 24 May 2017, the Company issued 50,000 series R bonds with a total nominal value of PLN 50,000 thousand. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series R bonds shall be redeemed on 24 May 2021. The Bonds bear interest at a variable rate based on the WIBOR rate for six-month deposits increased by a margin of 2.85%. Interest is payable semi-annually in May and November until redemption date.

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2017

Notes to the Interim Condensed Consolidated Financial Statements**Note 19 – Events during the period (cont'd)****Bonds loans (cont'd)**

On 14 June 2017, at the date of their maturity, the Company repaid all outstanding bonds series C (83,500 bonds with total nominal value of PLN 83,500 thousand). Following this repayment, the total number of outstanding bonds series C amounted to nil.

On 19 June 2017, the Company issued 20,000 series S bonds with a total nominal value of PLN 20,000 thousand. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series S bonds shall be redeemed on 19 June 2021. The bonds bear interest at a variable rate based on the WIBOR rate for six-month deposits increased by a margin of 3.40%. Interest is payable semi-annually in June and December until redemption date.

On 19 June 2017, the Company repaid all outstanding bonds series G (120,000 bonds with total nominal value of PLN 12,000 thousand). Following this repayment, the total number of outstanding bonds series G amounted to nil.

Bank loans

In January 2017, the Company executed a loan agreement with mBank Hipoteczny S.A. related to the third phase of the Panoramika project in Szczecin. Under this loan agreement mBank Hipoteczny is to provide financing to cover the costs of construction up to a total amount of PLN 19.4 million. Under the loan agreement, the final repayment date of the loan facility is December 2019.

In September 2017, the Company executed a loan agreement with Alior Bank S.A. related to the third phase of the City Link project in Warsaw (referred in the agreement with Alior Bank S.A. as the phase number four). Under this loan agreement Alior Bank S.A. is to provide financing to cover the costs of construction and development up to a total amount of PLN 101.2 million. Under the loan agreement, the final repayment date of the loan facility is 30 September 2020.

Commencements of new projects

In June 2017, the Company commenced the construction work of the City Link III project, which will comprise 368 units with an aggregate floor space of 18,700 m².

In July 2017, the Company commenced the construction work of the Marina Miasto project, which will comprise 151 units with an aggregate floor space of 6,200 m².

In August 2017, the Company commenced the construction work of the second stage of Miasto Moje project, which will comprise 148 units with an aggregate floor space of 8,000 m².

Land purchase

In January 2017, the Company entered into conditional sale agreements concerning the acquisition of real properties located in Warsaw, Ursus district, and into certain cooperation agreements. The Properties are covered by a local zoning plan which allows for the development of multi-family housing projects on the properties. It is envisaged that the properties will allow for development of approximately 1,600 apartments. The total sales price for the acquisition of the properties plus the value of the work which must be performed to allow the Company to carry out the housing projects (such work being the responsibility of the sellers) has been agreed at PLN 82.0 million plus applicable VAT. The individual final agreements covered by the transaction are planned to be concluded in stages by December 2019. The Company paid a portion of the price amounting to PLN 66.5 million plus applicable VAT. Subsequent payments towards the total price will be made in accordance with the schedule adopted by the Company and the sellers for the years 2017-2019. The Company expects that the first stage of the housing project to be developed on the properties will commence in the first half of 2018.

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2017

Notes to the Interim Condensed Consolidated Financial Statements**Note 19 – Events during the period (cont'd)****Sale of land**

On 19 July 2017, the Company sold to a third party (the right of perpetual usufruct) of real properties located in Warsaw, Ursus district. The sale price of the properties was set at PLN 1.6 million plus the applicable VAT. The Company realized a profit on the sale of the Property of PLN 0.4 million.

Completions of projects

In September 2017, the Company completed the construction of the Vitalia I project comprising 139 units with a total area of 7,200 m².

In September 2017, the Company completed the construction of the City Link I project comprising 322 units with a total area of 14,700 m².

Investment in joint ventures

As of 30 September 2017, the accumulated losses on investment in joint ventures exceeded the Company's interest in joint ventures. In accordance with IAS 28 the Company has reduced investment in joint ventures presented in the Interim Condensed Statement of Financial Position to nil and did not recognize the additional loss of PLN 149 thousand. As soon as the joint venture reports profits (expected during the fourth quarter of 2017), these profits will be adjusted by losses that were not recognized.

Dividend

On 1 March 2017, during an extraordinary General Meeting of Shareholders, the shareholders of the Company accepted a distribution of an interim dividend for the financial year 2016 as proposed by the Board of Managing Directors and the Board of Supervisory Directors. Interim dividend in a total amount of PLN 14,760,974 or PLN 0.09 per ordinary share, was paid on 23 March 2017.

On 30 June 2017, during the Annual General Meeting of Shareholders, the shareholders of the Company accepted a distribution of a final dividend for the financial year 2016 as proposed by the Board of Managing Directors and the Board of Supervisory Directors. The dividend in a total amount of PLN 16,401,081 or PLN 0.10 per ordinary share, with record date 3 August 2017, was paid on 10 August 2017.

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2017

Notes to the Interim Condensed Consolidated Financial Statements

Note 20 – Subsequent events

Bond loans

Since 30 September 2017, the Company has not issued any bonds loans.

Bank loans

Since 30 September 2017, the Group has not signed, nor amended any loan agreement.

Commencements of new projects

In October 2017, the Company commenced pre-sale of second stage of the Vitalia project comprising 83 units with a total area of 4,700 m².

In November 2017, the Company commenced pre-sale of fourth stage of the Panoramika project comprising 111 units with a total area of 5,800 m².

Completions of projects

In October 2017, the Company completed the construction of the Młody Grunwald III project comprising 108 units with a total area of 7,100 m².

The Management Board

Tomasz Łapiński
Chief Executive Officer

Rami Geris
Chief Financial Officer

Andrzej Gutowski
Sales and Marketing Director

Erez Tik

Alon Haver

Rotterdam, 6 November 2017

Independent Auditors' Report on Review of Interim Condensed Consolidated Financial Statements

Independent Auditor's Report on review of interim condensed consolidated financial statements to the Shareholders of Ronson Europe N.V.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Ronson Group ('the Group') as of 30 September 2017 for which the holding company is Ronson Europe N.V. with its registered seat in Rotterdam ('the Company'), and the related interim condensed consolidated statement of financial position as at 30 September 2017, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity, interim condensed consolidated statement of cash flows for the nine-month period then ended and the notes, comprising a summary of the significant accounting policies and other explanatory information ('the interim condensed consolidated financial statements').

Responsibilities of the Group's Management for the financial statements

The Group's Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting' as adopted by the European Union ('IAS 34'). The Group's Management is also responsible for such internal control as the Management determines is necessary to enable preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. We conducted our review in accordance with International Standard on Review Engagements ('ISRE') 2400 (Revised), 'Engagements to Review Historical Financial Statements', which requires us to conclude whether anything has come to our attention that causes us to believe that the interim condensed consolidated financial statements, taken as a whole, are not prepared in all material respects in accordance with IAS 34. This Standard also requires us to comply with relevant ethical requirements.

A review of the interim condensed consolidated financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement, primarily consisting of performing procedures by making inquiries of the Management and others within the Group, as appropriate, applying analytical procedures and evaluating the evidence obtained.

The procedures performed in a review are substantially less in scope than those performed in an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as at 30 September 2017, and its financial performance and cash flows for the nine-month period then ended, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. Rondo ONZ 1, 00-124 Warsaw, Poland

Marcin Zieliński

Partner

Warsaw, 6 November 2017